

CHIEF LEARNING OFFICER MAGAZINE'S 2009 business intelligence industry report executive summary

METHODOLOGY AND BUSINESS INTELLIGENCE BOARD PROFILE

For the fifth year, *Chief Learning Officer* magazine has administered a series of brief Web-based surveys to the Business Intelligence Board (BIB) on a variety of topics. The surveys are conducted regularly and gauge the issues, opportunities and attitudes that make up the diverse role of a senior learning executive. More than 1,900 individuals volunteered to be members of the BIB and to participate in the surveys. Of this number, 1,523 individuals were selected to participate. The selection process excluded participants who represented learning industry vendors and those who did not fully complete the demographic questions included in the recruitment survey.

A wide cross section of organizational job titles is represented on the board. Thirty-five percent of 2008 BIB members are chief learning officers or other heads of corporate education. BIB members also are employed by organizations from a wide variety of industries, including 13 common sectors. From an organizational revenue perspective, BIB members are employed by organizations of all sizes.

In looking at the number of employees as a measure of organizational size, the BIB has consistently included a balanced representation from all categories, including organizations that employ a small, medium and large number of individuals.

LEARNING AND DEVELOPMENT INVESTMENT PORTFOLIO

In today's tight economy, with operational budgets being cut enterprise-wide, learning and development (L&D) budgets continue to be an area of concern for business and learning executives alike. With scarce L&D dollars, it is imperative that enterprises get as much as possible out of their human and financial resources.

As seen in Figure A, BIB organizations' spend on L&D remains fairly strong despite the global economic climate in 2008. More than four out of 10 enterprises increased their spending on L&D in 2008. These organizations increased their L&D budgets by 16.9 percent, on average. On the downside, 23 percent of enterprises reported a drop in spending by an average of

22.5 percent in 2008. The combined average for organizations that reported an increase or decrease in L&D spending resulted in a net 3.1 percent increase in 2008, on average. In comparing this overall average increase to the predicted change in L&D spending for 2008, as the difference between the predicted spend and actual spend, represents a 5.7 percent drop. Given that the U.S. economy has been in a recession since late 2007, it is not unreasonable to conclude the drop could have been much worse.

Organizations plan to spend their scarce L&D dollars in a variety of areas during the next two years. The area that will garner the largest investment will be e-learning.

The large majority of BIB organizations expect an increase in competency and performance management investments during the next two years.

Leadership and executive development also will capture a growing portion of L&D investments for the foreseeable future. During the next two years, the large majority of organizations report leadership and executive development will be a top-five learning investment.

Technology investments also continue to experience healthy growth. Forty-two percent of BIB organizations plan to increase their LMS investment during the next 12 months. This increase follows eight to 10 years of heavy and widespread investment in this area.

Within the learning services market, the two areas that will see the most enterprise investment during the next 12 months will be custom content development and technical services.

LEARNING DELIVERY METHODS

During the past five years, learning executives have been overwhelmed with a wide variety of new technology-based learning delivery options. Some of these solutions have been immediately

Figure A: AVERAGE PERCENTAGE CHANGE IN L&D SPENDING

| | Increased spending | Decreased spending | Stayed the same | Don't know | Net change |
|------------------------------|--------------------|--------------------|-----------------|------------|------------|
| From 2006 to 2007 | | | | | |
| % of organizations | 48% | 16% | 30% | 6% | --- |
| Average % change in spending | +16.3% | -20.1% | 0.0% | --- | +7.2% |
| From 2007 to 2008 | | | | | |
| % of organizations | 42% | 23% | 34% | 1% | --- |
| Average % change in spending | +16.9% | -22.5% | 0.0% | --- | +3.1% |

2007 N=224 2008 N=368

applicable across many organizations. Others have struggled to find a permanent home, as many enterprises have been challenged to develop a business case to justify the investment. In looking at the delivery mix, classroom-based delivery dropped slightly in 2008, but it clearly remains the most common method used, representing 47 percent of organizations (Figure B). The combination of live and self-paced e-learning is the second-most common delivery modality used by organizations, representing approximately one-third of organizations.

Asynchronous e-learning remains valuable to organizations in their efforts to offer a broad list of training titles to their employee bases, especially to employees in remote areas with limited access to classroom-based learning.

Synchronous e-learning continues to gain appeal due to widely available and accepted Web-conferencing and collaboration tools. As reported by almost half of organizations, the key driver of this modality is cost savings over traditional, facilities-based classrooms.

One of the newer modalities, portable technology-based learning, has struggled to catch on in most enterprises due to lack of standards across the industry. However, more and more companies are exploring this modality to help rapidly deliver content to employees, especially in remote locations.

TALENT MANAGEMENT

As companies strive to differentiate themselves in a fiercely competitive global marketplace, one key success factor cannot be overlooked: talent management. Fortunately, talent management is increasingly viewed as a critically important function that deserves a place at the forefront of every CEO's agenda. The largest percent of enterprises have between three and four talent management functions in place. These functions most commonly include performance management, compensation management, recruiting and learning management.

As seen in Figure C, the level of talent management integration is improving within enterprises. In 2007, 59 percent of organiza-

Figure B: USE OF LEARNING DELIVERY METHODS BY YEAR

| | 2005 N=440 | 2006 N=371 | 2007 N=574 | 2008 N=606 |
|----------------------------|---------------|---------------|---------------|---------------|
| Classroom | 51% | 50% | 49% | 47% |
| Formal on-the-job training | 24% | 15% | 25% | 22% |
| Asynchronous e-learning | 21% | 15% | 20% | 21% |
| Synchronous e-learning | 11% | 10% | 13% | 11% |
| Portable technology* | -- | 5% | 8% | 6% |
| Text-based training* | -- | 5% | 9% | 7% |
| Satellite video broadcast* | -- | 0% | 3% | 2% |
| Other* | -- | 5% | 8% | 4% |

* Delivery method not included in 2005 survey. Columns may not equal 100% as multiple methods were allowed per participant.

tions reported at least some integration of talent management functions. This year, more than 72 percent of organizations reported at least some integration between talent management functions.

The primary reason why some organizations have not integrated talent management is lack of consensus across different functions with different owners, reported by almost one-fourth of organizations in 2008. The challenge to get all talent management stakeholders on the same page remains a key challenge across many enterprises.

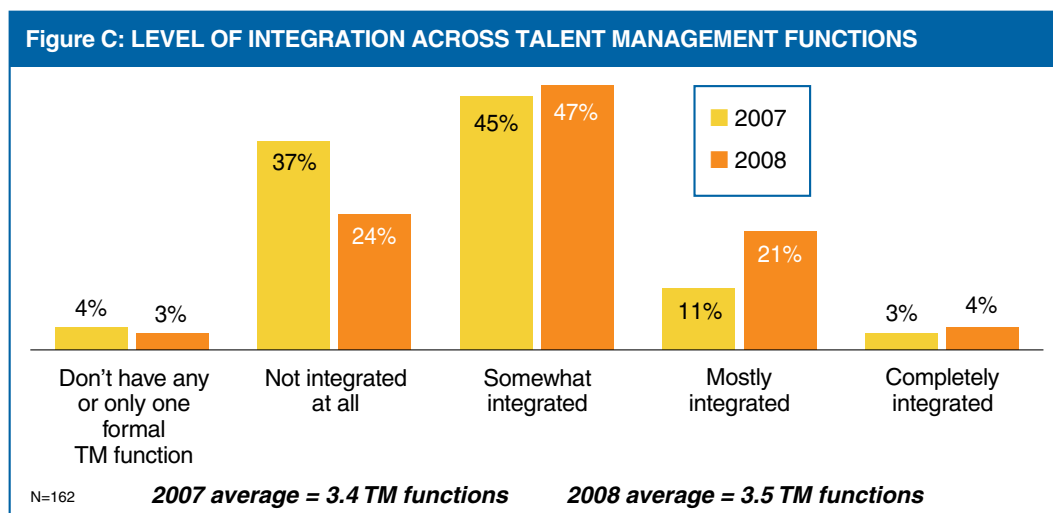
Like 2007, leadership development, employee development and recruiting also are rated as the most important talent management functions in 2008. Talent analytics was rated relatively low, as seen in prior years.

In looking at the change in perception of talent management over time, the majority of enterprises believe talent management is at least somewhat more important than a year ago. This data clearly highlights the fact that talent management not only exists, but is growing and is now a key function within most organizations.

The impact of recent economic conditions will impact organizations' talent management initiatives in a variety of different ways. A small percent of organizations reported that the economic conditions will increase the urgency of talent management initiatives, and 43 percent of organizations stated that the economic conditions will have a mixed impact. During these uncertain economic times, many organizations are tightening their operational budgets to conserve cash in an effort to weather the economic storm. Others are moving forward on high-priority talent management initiatives that already are set in motion, and still others are operating in a business-as-usual mode as the economy has little or no impact on the urgency of their talent management initiatives.

LEARNING ANALYTICS

For many enterprises, learning analytics remains an important talent management area that lacks attention. While the majority of organizations believe this function is valuable to an organiza-



tion, many of these same organizations are unable to garner the necessary executive support and resources to advance their measurement efforts. Moreover, many organizations simply do not have the expertise or the desire to measure the business impact of learning on their organizations.

While many organizations view analytics as valuable, the majority (58 percent) of organizations are either dissatisfied or very dissatisfied with their organizations' L&D measurement efforts. Only 24 percent of organizations are either satisfied or very satisfied with this area (Figure D).

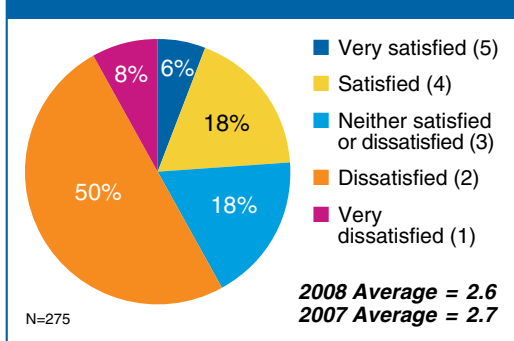
Organizations that track learning analytics typically use a variety of formal learning metric processes. Interestingly, almost half of enterprises still use a manual process.

Not surprisingly, little progress has been made during the past year with the correlation of learning to various other business metrics as seen below:

- Less than one-third of organizations measure on-the-job employee performance after the training is delivered.
- Approximately one-fifth of organizations correlate employee productivity to learning.
- Less than one-10th of organizations correlate extended enterprise performance to learning.
- Less than one-sixth of organizations correlate overall business performance to learning.
- About one-quarter of organizations correlate overall customer satisfaction to learning.

For those organizations that have no plans to correlate learning with employee or organizational performance, the primary reason is a lack of management support and resources, and inability to consolidate data from different functions. Most learning

Figure D: SATISFACTION WITH L&D MEASUREMENT



executives want or plan to measure the business impact of L&D. However, in reality, most organizations measure little beyond the basics, such as course enrollments, completions and learner-satisfaction rates.

LEARNING AND DEVELOPMENT STAFFING

Like prior years, learning professionals are challenged to deliver more learning offerings with the same or fewer financial and human resources in 2008.

The ratio of employees to learning professionals continues to rise. In 2007, each learning professional supported 178 employees. In 2008, this number rose slightly to 197 learners. As seen with many organizational changes (e.g., M&A activity), enterprises often experience a significant increase in their employee base without a proportionate increase in the number of L&D professionals to support the larger group. Like other functions within an organization, learning professionals are required to take on more responsibility (e.g., workload) with little or no additional support.

On average, the majority of organizations report they do not have enough staff to support their learning initiatives. In looking at this data by job role, heads of HR and corporate education and chief learning officers represent the largest groups that believe the enterprise does not have enough staff to support the learning initiatives (Figure E). In stark contrast to these groups, only 12 percent of CEOs, COOs and presidents believe the organization does not have enough staff. This finding obviously highlights a lack of communication between learning executives and senior-level business executives. It is not uncommon for these groups to have different perspectives, especially if learning executives are not included in high-level planning and strategy meetings within an organization.

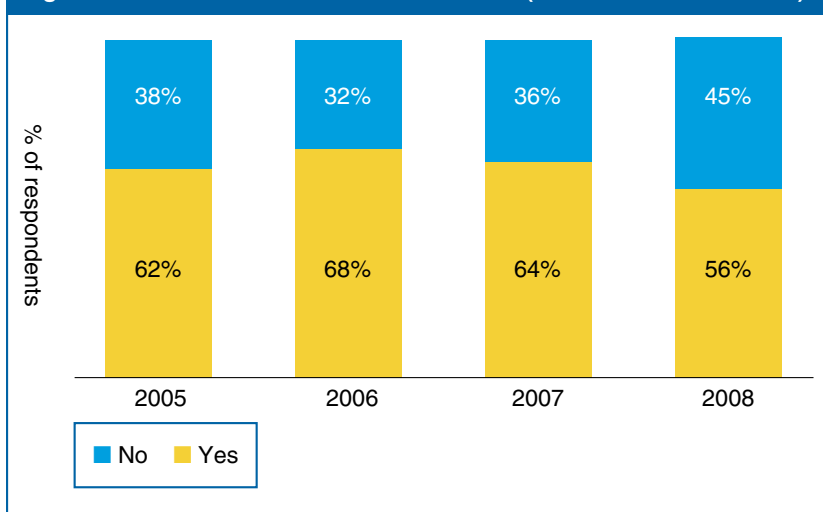
The large majority of enterprises are adopting one of two strategies to address the current economic situation. The first strategy

Figure E: L&D STAFFING LEVELS AND ABILITY TO SUPPORT LEARNING INITIATIVES BY JOB ROLE

| | Do not have enough staff to support our learning initiatives | Have just enough staff to support our learning initiatives | We have more than enough staff to support our learning initiatives |
|---|--|--|--|
| Head of corporate education (director or manager) | 64% | 28% | 9% |
| Chief learning officer | 63% | 33% | 5% |
| Head of human resources (director or manager) | 60% | 20% | 20% |
| Head of business unit (manager, GM or VP) | 53% | 47% | 0% |
| University instructor | 22% | 56% | 22% |
| CEO/COO/president (head of company) | 12% | 76% | 12% |
| Other - training | 69% | 28% | 3% |
| Other - business | 40% | 60% | 0% |
| Combined total | 56% | 36% | 8% |

N=216 Due to rounding of numbers, row percentages may not equal 100%.

Figure F: USE OF LEARNING OUTSOURCING (COMPARISON BY YEAR)



is a conservative, shorter-term measure to cut costs via improved purchasing control, process improvement and reduced head count. Half of organizations are following this strategy. The second, less-conservative strategy is a longer-term measure to completely rethink the entire operating model by refreshing/upgrading all aspects of the business, from staff to products and services.

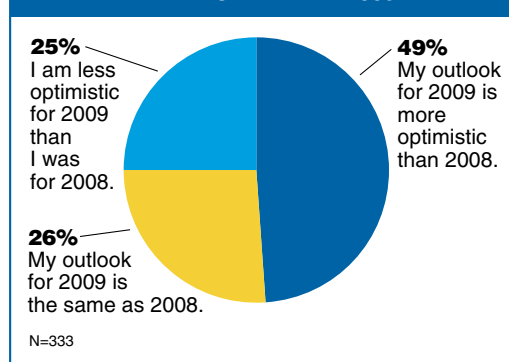
In looking at learning organizations' role in implementing their enterprises' response to the economic situation, C-level executives represent the group with the largest percent of individuals that believe L&D will play a significant role. This finding clearly reflects the high value these senior-level executives place on the learning organization, as well as the positive impact this group can have on driving employee and enterprise performance in good and bad times. Interesting, only 27 percent of HR executives believe L&D will play a significant role in this effort. This finding likely is a reflection of this group's belief that L&D is not as closely tied with organizational strategy and goals as it could be to make a more significant impact on the enterprise.

OUTSOURCING

L&D-related outsourcing continues to be widely used across most enterprises. Today, more organizations understand the benefits of this strategy. In general, the key benefits of outsourcing include cost-reduction, access to world-class knowledge and technology, and less drain on internal resources. The key disadvantages include loss of control and potential cost overruns on outsourced projects. Outsourcing various parts of the learning function continues to be primarily driven by learning technology, as it remains dauntingly complex.

In looking at learning-related outsourcing use by year, 8 percent fewer organizations utilized this strategy in 2008 compared to 2007 (Figure F). This trend likely is due to tighter operational and learning budgets across most enterprises during the recession, which is being described as the worst economic downturn since the Great Depression. Given the flexible nature of outsourcing budgets, learning executives are able to cut spending in this area without directly impacting internal staffing levels.

Figure G: OUTLOOK FOR EMPLOYEE DEVELOPMENT IN 2009



PREDICTIONS FOR 2009

Americans are now living through the economic equivalent of what meteorologists call a perfect storm. As a few of the many examples, the stock market is at its lowest level in years, home foreclosures continue to mount, housing starts are down, credit markets continue to struggle, auto manufacturers need a bailout, layoffs are on the rise and retailers are struggling unlike prior years. Despite all of these factors, a large percent of learning executives remain fairly optimistic about the outlook for employee development in 2009. As seen in Figure G, almost half of BIB members reported that their employee development outlook for 2009 is more optimistic than 2008.

The positive outlook is primarily driven by two factors. First, a greater number of learning executives are experiencing more growth in L&D support from C-level executives. As seen in one verbatim response, but representative of many, "I'm optimistic due to support at the C-level of my business and the positive reaction that I've received about the training strategies that I've put in place. My budget is triple what it was in 2008, and I've doubled my staff." Simply put, many more executives now understand the need to continuously enhance employees' skills to stay head of the competition. New ideas, process improvement and top-notch customer service all are mission-critical to stay competitive in the global marketplace. All of these areas are driven by ample L&D initiatives. This situation only intensifies in a poor economy as enterprises seek ways to become even more efficient to stay alive financially, especially in some organizations with fewer employees due to layoffs. To be successful, employees that remain after layoffs typically wear more hats and need easy access to training support to learn new, unfamiliar tasks.

Some BIB members expressed reduced optimism about employee development for 2009. This mostly is due to the anticipated tightening of some L&D budgets going forward. As seen in past years, enterprises that view training as an expense, rather than as an investment, often cut this area at first sight of a slight decline in corporate earnings. Today, public organizations are extremely focused on short-term initiatives due to tremendous pressure to rapidly grow market share and improve the bottom line. Unfortunately, L&D often is the first budgetary casualty in a weak economy.