The Corporate Learning Factbook 2010

Executive Summary

Karen O'Leonard,

Principal Analyst

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Introduction

The global economic recession has made 2009 a difficult year for U.S. companies. After a near total collapse, the housing and financial services sectors have struggled to regain their footing. Meanwhile, job losses continued to mount in nearly every sector of the economy, with the unemployment rate hitting record highs by mid-summer.

KEY POINT

L&D organizations are making significant changes in how they develop and deliver training.

By late summer, however, the economy showed signs of improvement, indicating that the worst may be over. Some companies have moved beyond the stage of crisis management to one of actively planning for the future. An increasing number of corporate executives have expressed optimism about the next few quarters.[1]

Despite these glimmers of hope, a full recovery is a long way off. Companies are still carefully scrutinizing budgets and many are still in cost-cutting mode. These actions have continued to impact learning and development (L&D) organizations which, as primarily cost centers, are typically squeezed hard in a budget crisis.

This report outlines some of the major trends facing U.S. training organizations. Data from the current study was collected in July and August 2009, and is compared with that from previous years. The main picture for 2009 is one of continued belt-tightening. As a result, L&D organizations are making significant changes in how they are structured, as well as how they develop and deliver training. They are also reducing the amount of formal training offerings and are devoting scarce resources to high-impact learning initiatives. Despite the short-term pain, those steps should help companies to strengthen their competitive positions once the economy brightens.

1 Source: *The crisis—one year on: McKinsey Global Economic Conditions Survey* results, September 2009.

Budget and Staffing Cuts Continue

KEY POINT

Training budgets have fallen a total of 21 percent over the past two years.

In 2009, the faltering U.S. economy continued to take its toll on training organizations. Companies cut their L&D budgets by another 11 percent from 2008 levels, with median spending falling to $714 per learner[2]. Combined with the budget reductions that occurred in 2008, training budgets have fallen a total of 21 percent over the past two years. (See Figure 1.)

Spending was down across all company size categories. Small companies cut their L&D spending by 10 percent; midsize companies cut 11 percent and large companies cut 12 percent of their L&D spending.

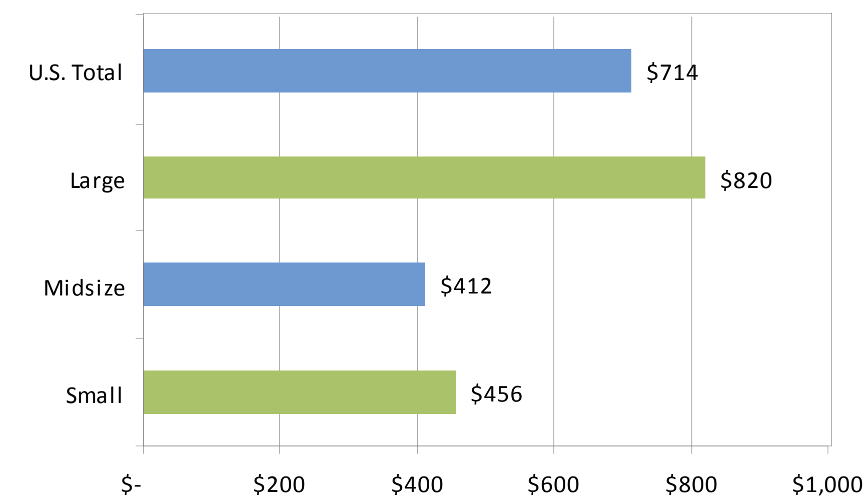
Many L&D organizations also shed jobs in 2009. The median L&D staff fell from 7.0 staff per 1,000 learners in 2008 to 6.2 in 2009. Small businesses reduced their training staffs by four percent, while midsize firms cut five percent and large companies cut eight percent of their L&D headcount. (See Figure 2.)

These budget and staffing figures show that large businesses have taken the hardest hit in 2009. Large companies generally have more "fat" to cut, with more L&D program offerings and more L&D staff playing specialized roles. Although they are often slower to respond to economic changes, they are assessing – and cutting now.

As part of these cost-cutting efforts, many large companies are centralizing their training operations and moving toward a shared-services model. This structure can be especially effective for L&D organizations that span multiple lines of business. Through a shared-services structure, they can support the training needs of different business units, as well as align to corporate priorities – and with fewer overall resources.

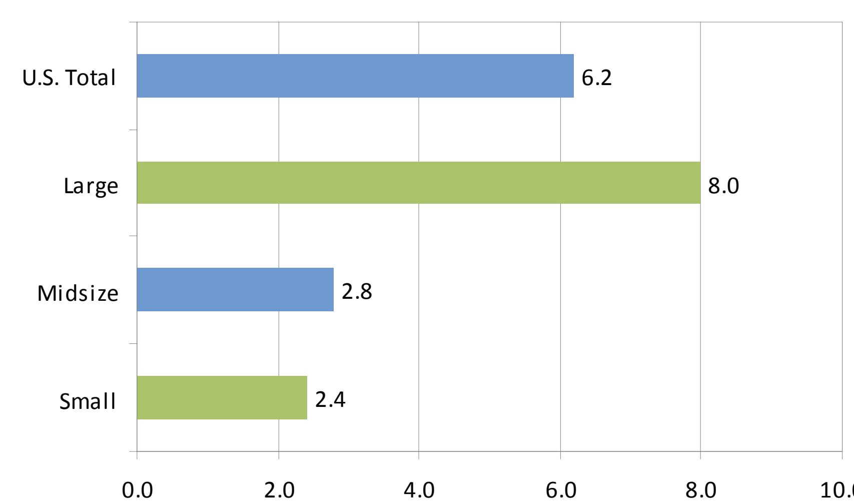
2 Spending figures include L&D budgets, learning technology spending, and payroll for L&D staff.

Figure 1: Total Training Spending per Learner (2009)



Source: *Bersin & Associates, 2009.*

Figure 2: Total L&D Staffing per 1,000 Learners (2009)



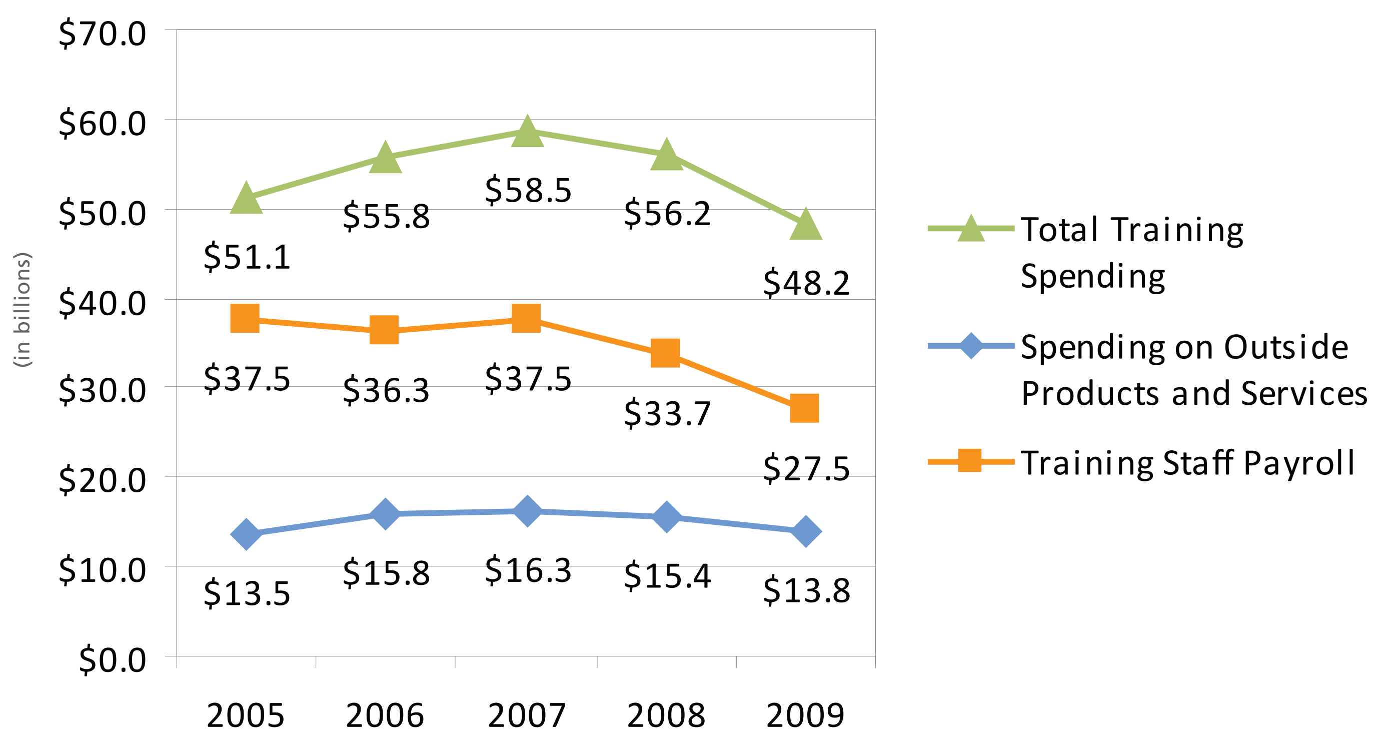
Source: *Bersin & Associates, 2009.*

KEY POINT

In 2009, total training industry expenditures fell 14 percent to $48.2 billion.

The steady erosion of training budgets led to another year of decline in total training industry expenditures, which fell 14 percent to $48.2 billion in 2009, the lowest ever recorded in our annual report.[3] Payroll for training staff (which accounted for $27.5 billion of all training spending this year) plummeted 18 percent, due largely to cuts in training headcount. External learning products and services accounted for $13.8 billion of the total, a year-over-year drop of 10 percent. [4]

Figure 3: Total U.S. Training Industry Expenditures (2005 to 2009)



Source: *Bersin & Associates, 2009.*

3 **Total Training Spending** – Total annual training-related expenditures within the U.S. marketplace, including training staff salaries. **Training Staff Payroll** – The annual payroll for all staff personnel assigned to the training function. **Outside Products and Services** – The annual spending for external vendors and consultants, including all products, services, technologies, off-the-shelf and custom content, and consulting services.

4 The remaining $7 billion in training expenditures includes miscellaneous items, such as travel, facilities, outside seminars and conferences, training materials / books / supplies and contractors not on the payroll.

Decline in Formal Training

With fewer training personnel and less money to spend, companies delivered less training in 2009. This is partly due to cuts in employee headcount – fewer employees mean fewer learners. But even the employees who survived the layoffs did not all participate in development initiatives. With fewer resources, L&D organizations cancelled some of their learning programs; for the programs that remained, organizations were more selective about who could participate.

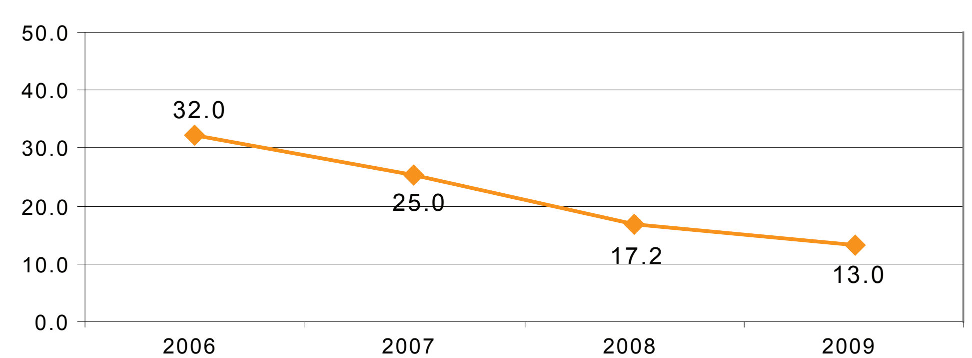
KEY POINT

Open enrollments are being replaced with a more prescriptive learning approach that seeks to match employees with appropriate development initiatives.

Consequently, employees received less training in 2009, with the average number of formal training hours dropping to 13.0 hours per learner. Training consumption dropped most severely among midsize and large businesses, which had to significantly curtail their programs. The days of massive course libraries with open enrollments have come to a halt. They are being replaced with a more prescriptive approach that seeks to match employees with appropriate development initiatives and with a focus on programs that have the greatest impact to the business.

Another trend influencing the gradual decline in formal training is the movement to informal learning methods. Modern L&D organizations are realizing that most learning takes place outside of the classroom or online course – and they are putting in place coaching, mentoring and social learning environments to facilitate this knowledge transfer.[5]

Figure 4: Annual Training Hours per Learner (2006 to 2009)



Source: *Bersin & Associates, 2009.*

5 For more information, *High-Impact Learning Practices: The Guide to Modernizing Your Corporate Training Strategy through Social and Informal Learning*, Bersin & Associates / David Mallon, July 2009. Available to research members at www.bersin.com/library or for purchase at www.bersin.com/hilp.

Leadership Development Funding Rebounds

KEY POINT

Funding for leadership development programs rebounded in 2009, indicating that companies are once again focusing on the future.

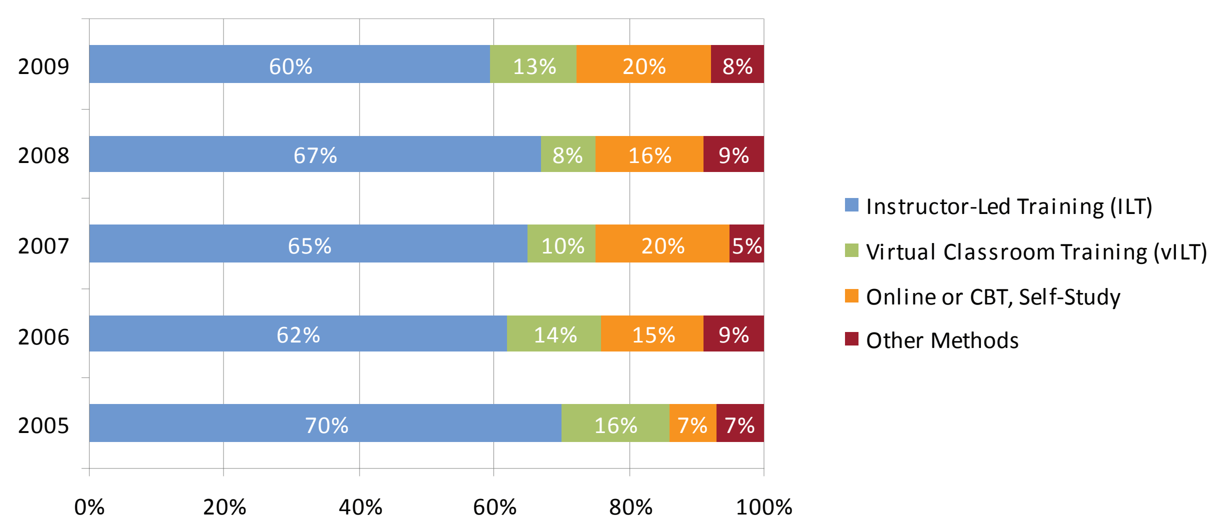
In 2008, the first year of budget cuts, companies began reallocating training funds toward "the necessities" – primarily mandatory or compliance-related programs, or those directly related to a learner's job or profession. In 2009, these programs continued to receive sizeable chunks of the budget. Profession- and industry-specific training programs received 18 percent of L&D spending dollars, while mandatory / compliance training received 16 percent of funding.

One notable change for 2009, however, is the increase in funding for leadership development. In 2008, spending in this area dipped to 17 percent of training dollars. In 2009, funding rebounded to 24 percent, with companies allocating 18 percent of training dollars to management / supervisory training and another six percent to executive development. This is an encouraging sign. It indicates that companies are moving beyond a short-term, "crisis management" mode and have begun preparing for life after recession.

Virtual Replaces Live Instruction

Another notable change is the uptick in online delivery. After dropping in 2008, use of online methods for learning delivery increased in 2009, to one-third of total training hours consumed by learners. This increase came primarily at the expense of instructor-led classroom training (ILT). Some ILT hours were replaced with virtual classroom training (VILT), which uses a live, remote instructor broadcast online or over video. In addition, some companies reduced their classroom time by offering online pre-work and post-work in a blended-learning format. Even so, instructor-led classroom training remained the dominant delivery vehicle, accounting for 60 percent of all training hours consumed.

Figure 5: Formal Training Delivery Methods (2005 to 2009)



Source: *Bersin & Associates, 2009.*

Higher Adoption of Learning Tools

The increase in online delivery is demonstrated in the figures for technology usage. Use of virtual classroom tools increased from 45 percent in 2008 to 59 percent in 2009. In addition, use of application simulation tools bounced back after a significant decline in 2008, with 24 percent of companies using these tools for their online training. In 2008, use of application simulation tools dropped by one-half – to 14 percent, as companies reduced the cost and resources involved in online courses. In 2009, use of these tools bounced back, with 24 percent of companies using these tools for their online training.

But L&D organizations remained cost-conscious in 2009, as evidenced by the continued popularity of "rapid e-learning" tools – software that converts PowerPoint documents to online learning materials. Approximately one-third of organizations reported using these tools to create learning programs in 2009. The rise of rapid e-learning tools is driven primarily by the need to reduce costs and to enable subject matter experts (SMEs) to produce learning materials. These tools are purchased both inside and outside of the training organizations, and we expect their use to continue to grow.

KEY POINT

Companies are adapting newer technologies to facilitate learning through knowledge-sharing and collaboration

Use of learning management systems (LMSs) remained fairly steady in 2009 among midsize and large businesses, but declined among small businesses. These small companies were most likely using hosted or SaaS solutions, an expense that was dropped when business conditions worsened.

Meanwhile, companies are adapting newer technologies to facilitate learning through knowledge-sharing and collaboration. Blogs[6] and wikis[7] both posted significant gains in 2009, with 14 percent of organizations using these tools in a learning context. Communities of practice[8] also remained popular, used by 24 percent of companies for learning.

6 "Blog" is a shortened form of the phrase "web log," which is a form of personal publishing that readers can discuss.

7 "Wiki" is from the Hawaiian word for "fast" – and stands for web pages that can be collectively and collaboratively edited on the fly by readers.

8 A "community of practice" (or "CoP") is a group of people who share an interest in a common topic, and who deepen their knowledge in this area through ongoing interaction and relationship-building.

For the first time in several years, use of electronic performance support (EPSS) and knowledge management systems (KMS) increased, from 12 percent in 2008 to 17 percent in 2009. These systems have been around for years, with limited adoption. But companies are becoming more interested in harnessing the collective knowledge within their organizations and in providing learners with easy access to information and support.

More Outsourcing of Instruction, Content Development

KEY POINT

Outsourcing of instruction and custom content development increased in 2009, as companies turned to external providers to fill their resource gaps.

With continued downsizing in L&D staffs, organizations turned to external providers to fill some of their resource gaps. Use of external instructors and facilitators remained the largest area of outsourcing. Nearly two-thirds of organizations used outside professionals for some of their facilitation and teaching needs in 2009, a figure that has been rising steadily over the past few years. Traditionally, companies have brought in outside instructors or "experts" in the areas of leadership and technical training, rather than retaining these skills in-house. In 2009, with leaner staffs, they turned to outside instructors for a broader scope of programs.

Use of external content developers was up significantly in 2009, with 51 percent of companies turning to third parties for custom content in 2009. This coincides with the increase in online training, which placed greater demands for online content on organizations constrained by fewer resources. Hence, organizations turned to external developers to meet these needs.

But outsourcing is not up in all areas. Fewer companies turned to external providers for their LMS operations and administration in 2009. This trend is mainly driven by small businesses, many of which cancelled their hosted LMS contracts due to budget constraints.

Looking Ahead

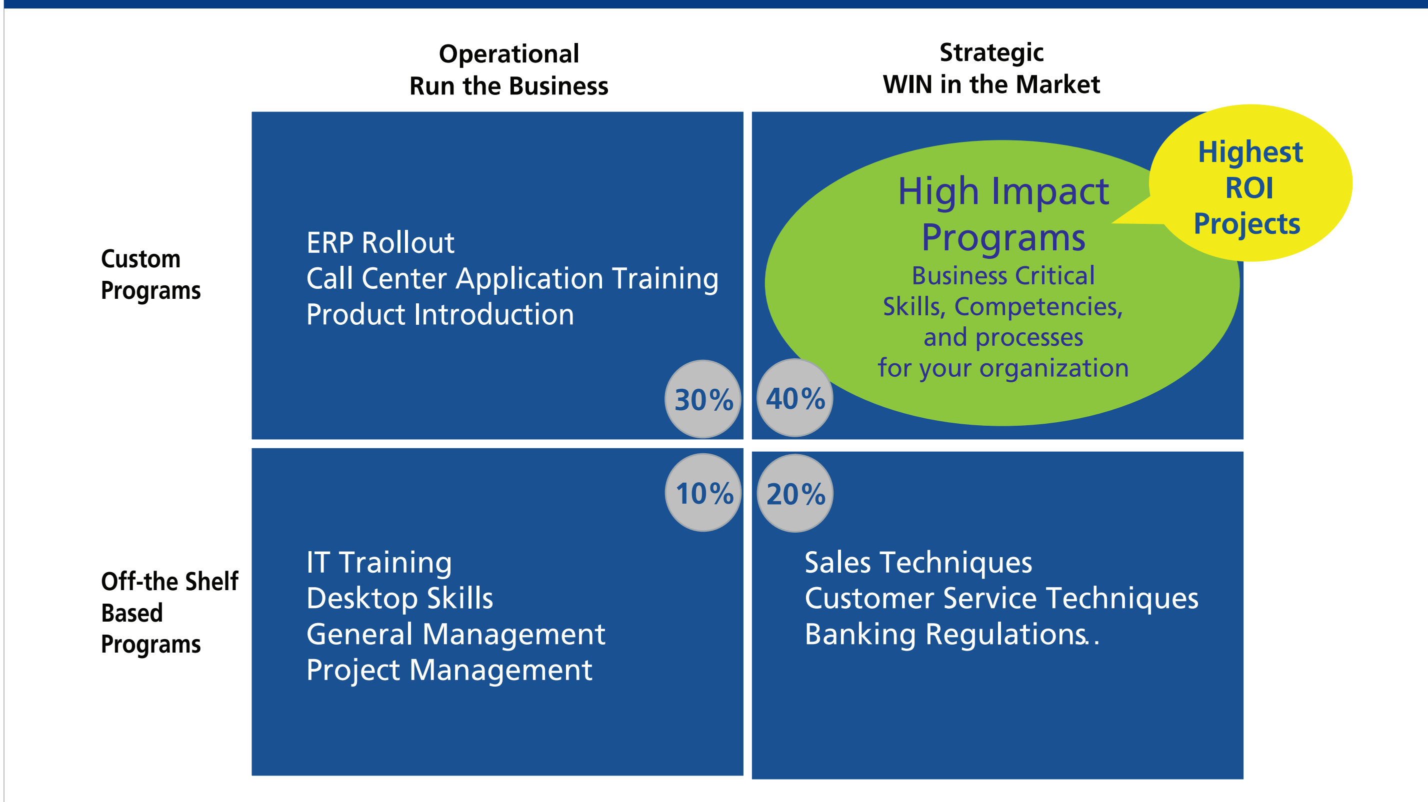
KEY POINT

L&D organizations now have the opportunity to redefine their priorities, and put their resources into the key initiatives and programs that will drive competitive advantage.

The past two years have been a wake-up call for L&D leaders. Although these years have been difficult, the upshot is that they have forced training organizations to become better aligned with the business. L&D organizations have the opportunity to redefine their priorities, and put their resources into the key initiatives and programs that will drive competitive advantage.

To help with this process, we have developed the "Training Investment Model[9]" (see Figure 6). We strongly recommend that L&D leaders spend some time considering which programs should be in the upper right quadrant of this model to help decide what can be outsourced, revised or cut altogether.

Figure 6: Training Investment Model



Source: *Bersin & Associates, 2008.*

9 For more information, *The Training Investment Model: How to Allocate Training Investments for Optimum Business Impact*, Bersin & Associates / Josh Bersin, November 21, 2008. Available to research members at www.bersin.com/library.

KEY POINT

L&D organizations are taking a hard look at implementing a shared-services structure, which consolidates resources and requires different job roles.

In addition, training executives must consider different learning approaches, such as using collaborative and informal learning methods, replacing face-to-face classrooms with virtual ones, and leveraging managers and internal SMEs as coaches and instructors. They must also be more selective in choosing who participates in training, so that learners and the company get maximum value from the programs.

Furthermore, budget cuts will force more companies to take a hard look at implementing what we call the "High-Impact Learning Organization® Model[10]," which creates a shared-services approach to L&D. In this new Model, the corporate L&D leader will have to consolidate resources and define the high-value job roles needed to move forward. This calls for a different breed of L&D professional – one with consulting skills and business acumen.

Although we hate to hear it, growth opportunities can be found in difficult times. L&D leaders are being forced to rethink how they do things and make sure they are adding value in the most efficient, strategic ways. If training organizations can carry these lessons forward into the future, they will emerge in a better position than before the crisis.

10 For more information, *The High-Impact Learning Organization: WhatWorks® in the Management, Governance and Operations of Modern Corporate Training*, Bersin & Associates / Josh Bersin, May 2008. Available to research members at www.bersin.com/library or for purchase at www.bersin.com/highimpact.

About This Study

Data from this study will be published in *The Corporate Learning Factbook 2010*, a report recognized as the training industry's most trusted source of data on budgets, staffing and programs. This year, the study was conducted by Bersin & Associates, a leading research and advisory firm focused on enterprise learning and talent management, in partnership with *Workforce Management* magazine.

Data for the study was collected in July and August 2009 through an online survey, with contacts from the Bersin & Associates *and Workforce Management* databases. Only U.S.-based organizations with 100 or more employees were included in the analysis. The final count of qualified respondents was 1,402.

The data represents a cross-section of industries and company sizes. Five-hundred-fifty-three (553) small companies (with 100 to 999 employees), 508 midsize (1,000 to 9,999 employees) companies and 341 large (10,000 or more employees) companies participated in the survey.

Throughout our detailed report *(to be published in Q1'2010)*, we break out the results by organization size and by industry grouping to show the differences between organization types.

For more detailed data and analysis from this study, go to http://www.bersin.com/factbook.

Appendix I: Table of Figures

About Us

Bersin & Associates is the only research and advisory consulting firm focused solely on *WhatWorks®* research in enterprise learning and talent management. With more than 25 years of experience in enterprise learning, technology and HR business processes, Bersin & Associates provides actionable, research-based services to help learning and HR managers and executives improve operational effectiveness and business impact.

Bersin & Associates research members gain access to a comprehensive library of best practices, case studies, benchmarks and in-depth market analyses designed to help executives and practitioners make fast, effective decisions. Member benefits include: in-depth advisory services, access to proprietary webcasts and industry user groups, strategic workshops, and strategic consulting to improve operational effectiveness and business alignment. More than 3,500 organizations in a wide range of industries benefit from Bersin & Associates research and services.

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