

EXECUTIVE SUMMARY

Training and Development
Investment Portfolio

Training Delivery Methods

Trends in Informal Learning

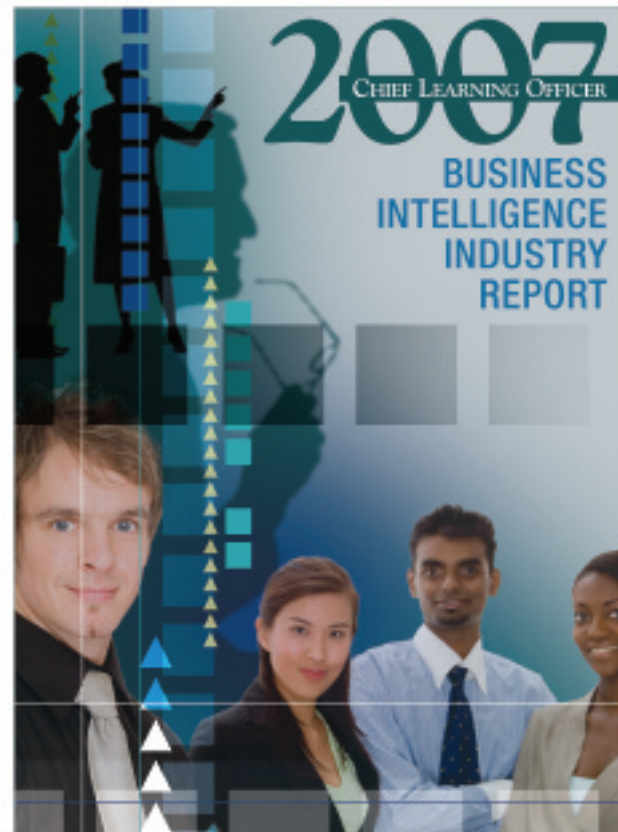
Talent Management

Learning and Development

Alignment of Training
to Organizational Strategy

Outsourcing

Predictions for 2007



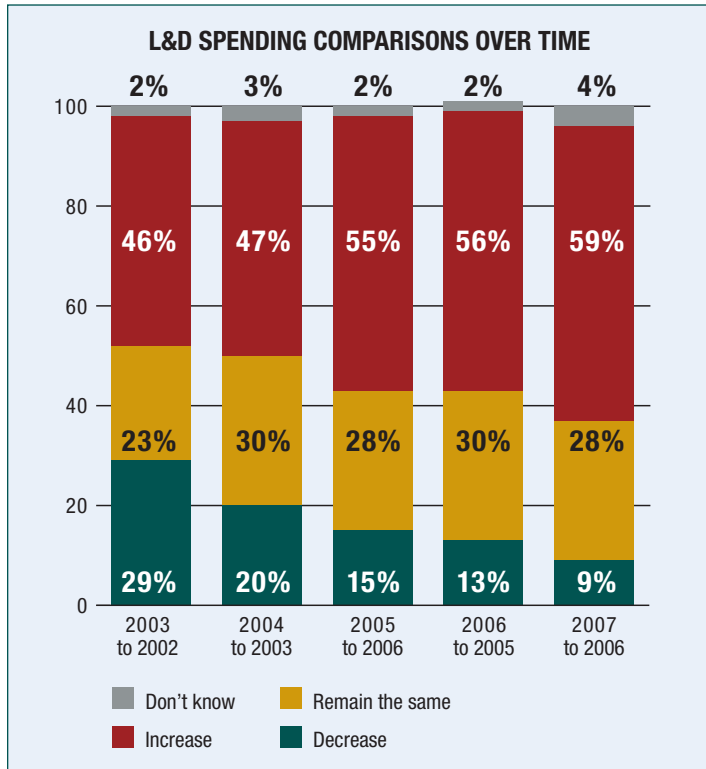
During 2006, *Chief Learning Officer* magazine conducted its third series of surveys, soliciting input from the members of the CLO Business Intelligence Board (BIB) about the issues, opportunities and attitudes that make up the role of a senior learning executive. More than 1,950 subscribers responded to the invitation to participate, representing a 24 percent increase over the 1,577 subscribers who volunteered the previous year. For this report, 1,322 non-vendors were selected and surveyed in eight topic areas and their responses summarized.

About 60 percent of the BIB are projecting learning and development (L&D) spending increases over the next year. More than half report increasing their use of asynchronous e-learning, while more than 30 percent report decreasing their use of classroom-based instructor-led training (ILT). On average, they estimate that 58 percent of the learning

occurring in their organizations is informal, yet only 8 percent have a comprehensive strategy in place to manage this informal learning. More than 90 percent report having formal learning and development, recruitment and/or compensation programs, but just over half have formal succession planning processes in place. On average, they employ 15 full-time equivalent learning professionals in their organizations, with nearly 53 percent anticipating staffing increases in the near future. Compared to findings reported in the 2006 CLO Business Intelligence Industry Report, the prevalence of outsourcing has increased from 62 percent to 68 percent. Nearly 60 percent reported that their outlook for 2007 is more optimistic than in 2006, while only 11 percent of BIB members reported a less optimistic outlook. These are only a few of the trends uncovered by *Chief Learning Officer* magazine over the past year and analyzed in the 2007 Business Intelligence Industry Report.

Training and Development Investment Portfolio

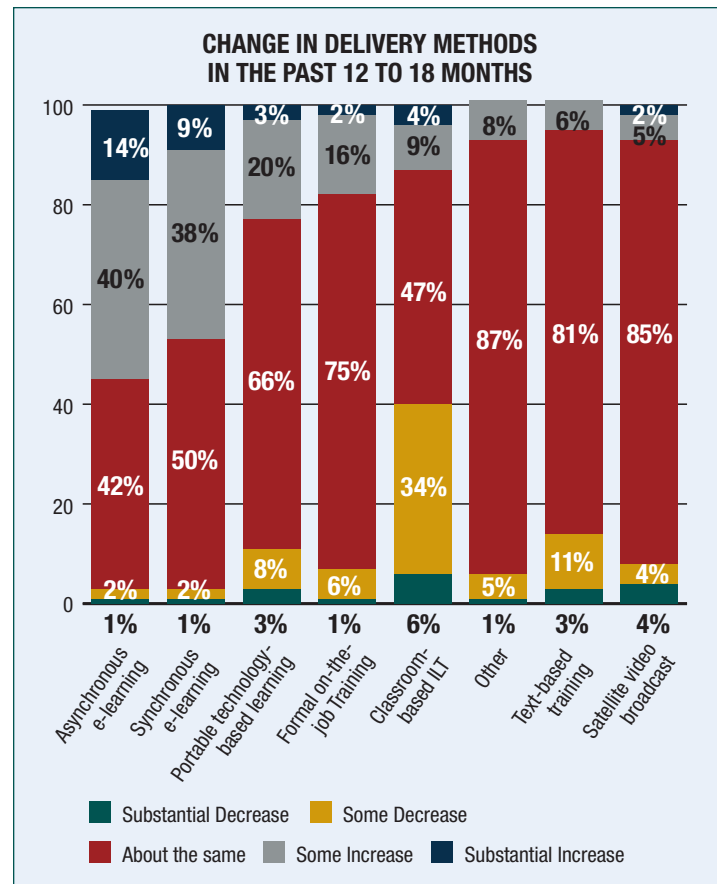
During 2006, BIB members continued to report increases in learning and development. Both the 2006 to 2005 and the projected 2007 to 2006 spending comparisons show fewer spending cuts than earlier comparison periods. The majority of spending increases are in the 10 to 20 percent range with very few BIB members anticipating large increases of 30 percent or greater. Summarizing the spending changes over time shows a consistent increase in spending year after year. Nearly 60 percent of 2006 BIB members projected spending increases over the next year, compared to only 46 percent who reported increases between 2002 and 2003.



Further examination of spending increases shows that smaller organizations, with less than \$5 million in annual revenue, are reporting the strongest spending growth. Looking toward the future, the lion's share of the reported spending increases will likely continue to be devoted to leadership and executive development and improving learning technologies. Spending on learning services over the next year will be more modest, with a full third of the BIB anticipating no significant investment next year.

Training Delivery Methods

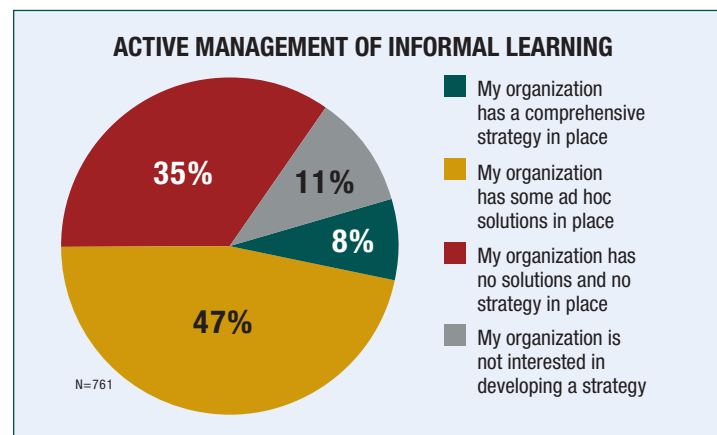
Regardless of organizational size, classroom training is still the single most widely used delivery method for all industries, primarily because it is considered the most appropriate method for the type of content being delivered. While results from the 2006 BIB surveys clearly show that classroom training still dominates, synchronous and asynchronous e-learning are making strong inroads. Fully 54 percent of BIB organizations report increasing their use of asynchronous e-learning, while 47 percent report increasing the use of synchronous e-learning. Results also show that portable technology-based training is starting to increase. In contrast, more than 30 percent of organizations report using less classroom-based ILT than a year ago.



Looking to the future, BIB organizations expect a continuation of the shift away from classroom training. Fully 42 percent anticipate decreasing the amount of classroom training, while 72 percent anticipate increasing the use of asynchronous e-learning. An additional 62 percent predict an increase in the use of synchronous e-learning and 41 percent plan to increase the use of portable technology-based learning.

Trends in Informal Learning

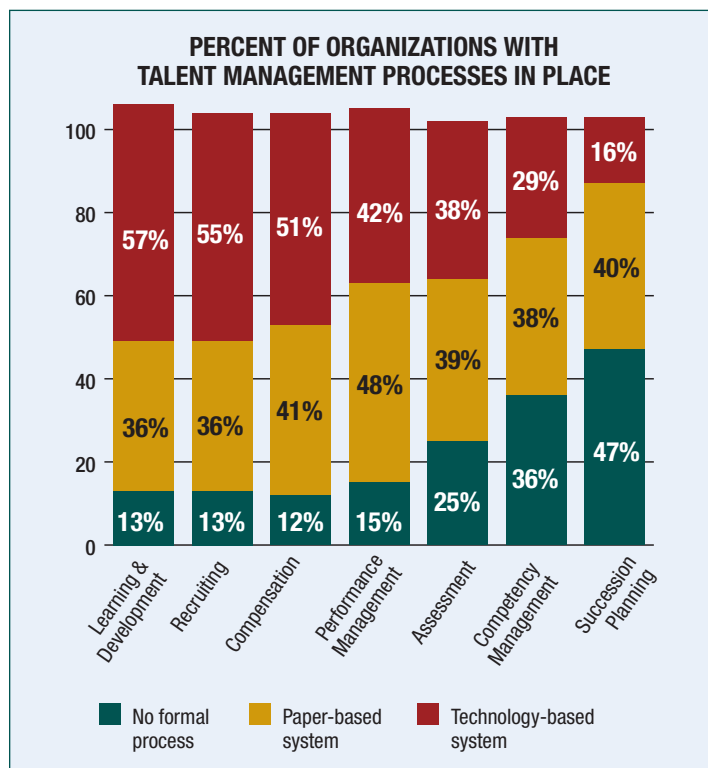
Compared to formal workplace learning, informal learning tends to be unplanned and unstructured. Because informal learning can take a variety of forms, it is difficult to define and even harder to measure. While the BIB reports that on average 58 percent of the learning occurring in their organizations is informal, fully 36 percent place that figure at 70 percent or more. However, only 20 percent of the BIB actually tracks informal learning in their organizations. Given this low number, it is not surprising that only 8 percent of organizations have a comprehensive strategy in place to manage informal learning.



The two most important informal learning activities are judged to be on-the-job work experience and informal conversations with colleagues. The BIB anticipates that technology will have a much greater role supporting informal learning in the future. It also sees multiple obstacles facing the further adoption of informal learning initiatives. Fully a quarter of BIB members indicate corporate culture is the biggest challenge, while more than 20 percent also cite the difficulty of measuring ROI. Even with these obstacles, practically none of the BIB members predict that support for informal learning will decrease. Instead, more than half expect informal learning to receive increased support, and 14 percent predict a significant increase in support.

Talent Management

Talent management is a collection of approaches undertaken to attract, develop and retain people with the aptitude and abilities to meet current and future organizational needs. Successful talent management helps identify the critical roles within organizations and the current top talent. Currently, over 90 percent of BIB organizations have formal learning and development (L&D), recruitment or compensation programs, but just over half have formal succession planning. The majority of these formal programs are technology-based systems. In comparison, fewer than a third of BIB organizations have technology-based competency management or succession planning systems. The prevalence of technology-based performance management systems is highly correlated to organizational size. While only a third of BIB organizations with less than \$5 million in revenue have technology-based L&D systems, nearly 80 percent of the organizations with \$5 billion or more in revenue have such systems in place.



The implementation of talent management processes is still relatively new. Regardless of the type of talent management process, virtually none are more than four years old. Succession planning processes are the newest with over 70 percent of processes less than a year old. Perhaps reflecting the immaturity of talent management, the BIB reports relatively low satisfaction with its current talent management processes. By far BIB members are most dissatisfied with their succession planning processes, with fully 35 percent reporting not at all satisfied. The level of integration among talent management functions is largely dependent on the size of the organization. The percent of organizations reporting formalized integration increases from only 13 percent of those organizations

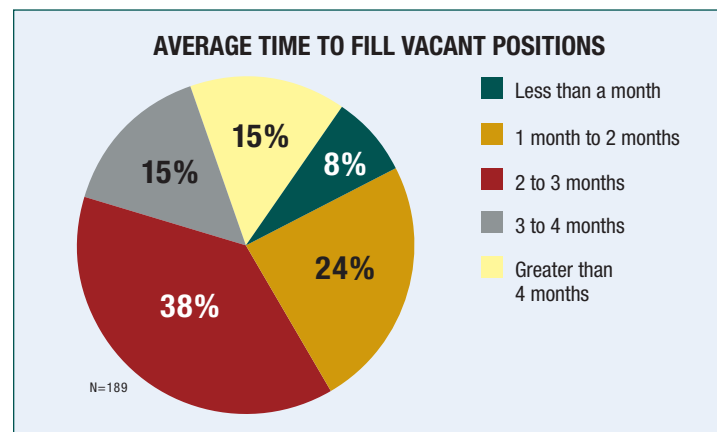
with less than \$5 million in revenue to just over half of organizations with \$5 billion or more in revenue. However, even among the largest organizations, full integration is still rare.

The majority of BIB members indicate that talent management is being perceived as more important than a year ago. The current talent shortage many BIB members are experiencing may be the reason for this perception. Sixty percent of BIB members report a tighter supply of candidates compared to the previous year. In addition, with the approaching retirement of the baby boomers, fully 70 percent of BIB members report that retirements over the next four years will cause knowledge or skill gaps.

Learning and Development Staffing

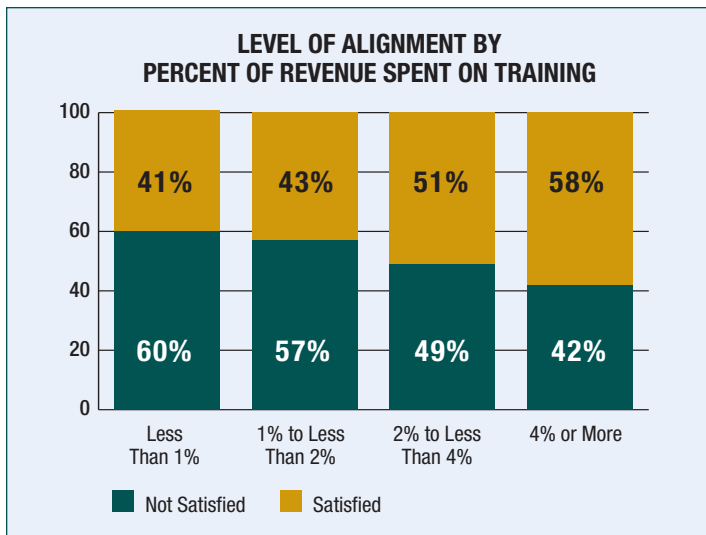
On average, BIB organizations employ 15 full-time equivalent learning professionals in their organizations. As one might expect, however, this varies by industry as well as number of learners. Among organizations with fewer than 2,500 learners, three learning professionals is common, while organizations with 100,000 or more learners have learning staffs of about 120. Most of the time spent by L&D staff — approximately 75 percent — is focused on training employees, compared with 34 percent focused on training customers. Overall, BIB organizations spend an average of 27 percent of their training budget on staffing. This percentage tends to increase the smaller the learning organization. Organizations with fewer than 2,500 learners tend to spend about 31 percent of their training budget on staffing, while organizations with 100,000 or more learners spend only 22 percent on staffing.

A majority (59 percent) of BIB members report not having adequate staff to support their learning initiatives, while 33 percent report having just enough. When projecting future staffing levels, nearly 40 percent foresee some increase, while an additional 13 percent anticipate significant increases. Only 10 percent of the BIB project a decrease in their L&D staffing levels. Unfortunately, organizations that are looking to add L&D staff may find it moderately difficult to find qualified candidates. Nearly half report a slight shortage of available talent. Seventy percent, however, are able to fill open L&D positions within three months or less.



Alignment of Training to Organizational Strategy

Training can be considered an operating cost or a key component of the business plan. Where it falls depends largely on whether training is successfully aligned to the organization's strategy. To achieve this transformation from overhead expense to competitive advantage, learning activities must be clearly linked to business results. A tangible measure of the support L&D has within an organization is the percent of revenue spent on training. While 58 percent of organizations that spend 4 percent or more of their revenue on training report satisfaction with their level of alignment, only 41 percent of organizations that spend less than 1 percent are equally satisfied.

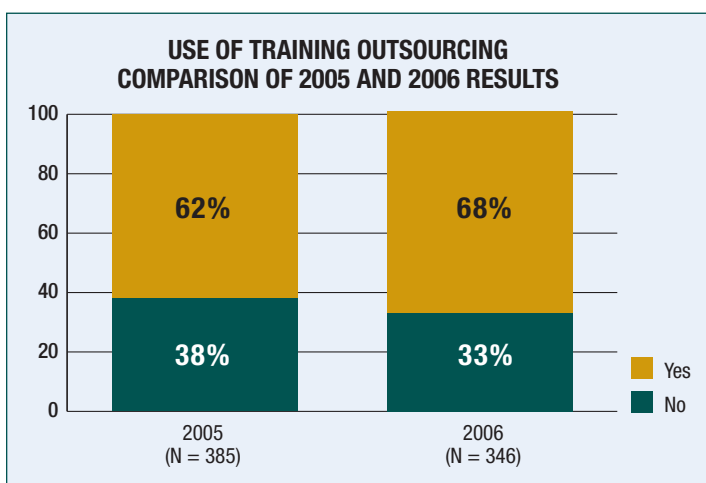


Currently, only 17 percent of BIB members report excellent alignment, with the CLO's goals directly reflecting company objectives. Most (60 percent) report having either good alignment – characterized by regular communication between the learning organization and heads of business units – or consistent alignment – characterized by the learning organization reactively aligning to company objectives. Each assessment was reported by about 30 percent of respondents. More than 60 percent of BIB members anticipate an improvement in the alignment of learning with their organization's goals in the next 18 months, while only 2 percent forecast less alignment.

The three biggest challenges in establishing or maintaining a link between learning and business objectives are demonstrating learning's impact on strategy; identifying, defining and implementing strategy; and getting executive-level buy-in. Currently, most BIB L&D departments are not spending an appreciable amount of effort aligning their initiatives with organizational objectives. About half report spending 20 percent or less of their effort on alignment.

Outsourcing

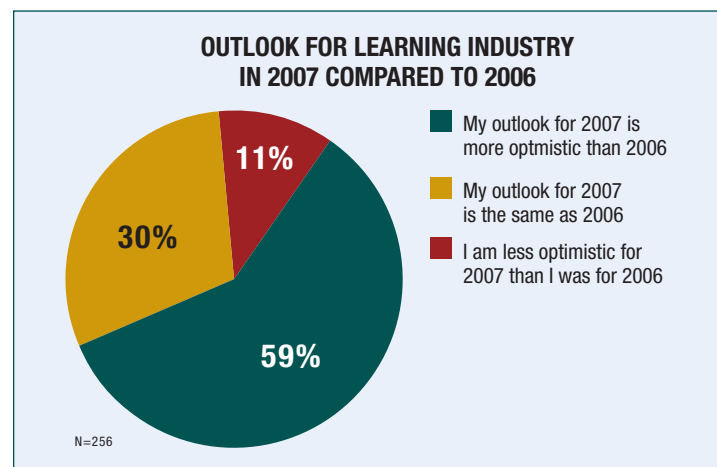
Learning organizations are continuing to increase their reliance on outsourcing partners. Compared to 2005, the prevalence of outsourcing has increased from 62 percent to 68 percent of BIB organizations.



The prevalence of outsourcing ranges from a high of 90 percent for oil and gas/utilities/energy organizations to a low of 50 percent of education organizations. Comparing the types of outsourcing currently taking place with 2005, results shows that while the vast majority use only selective outsourcing engagements, the prevalence of comprehensive outsourcing is slowly increasing. Only 3 percent of BIB members in 2005 reported the use of comprehensive outsourcing compared to 5 percent of the 2006 BIB. Specific outsourcing engagements data show consistency between the 2005 and 2006 results. In both years, the two most prevalent outsourced activities were training delivery and content design/development. Organizations report outsourcing to deliver more training than internal resources could provide alone and to gain access to better technical or training expertise. Both of these reasons were cited by more than 65 percent of the BIB. Looking toward the future, the biggest growth areas for external provider use are hosting of learning technologies or e-learning content and content development.

Predictions for 2007

BIB members were surveyed in September 2006 regarding the issues they thought will have the most and least impact in 2007. They also were asked to weigh in on topics that deserve more industry attention, topics currently being over-hyped and general predictions for the year ahead.



In listing topics according to highest impact, 22 percent of the BIB selected leadership training, 11 percent selected competencies and 6 percent selected learning management systems (LMS). Compared to 2005 predictions, slightly more BIB members selected leadership training, nearly three times as many selected competencies and the percent selecting learning management systems held steady across the two years. Three new technology topics were most frequently identified as having the lowest anticipated impact in 2007: vodcasting, podcasting and wikis/blogs. Interestingly, although 15 percent of BIB members reported that measurement/evaluation/analytics deserves more attention, this topic also was frequently cited as over-hyped. Comments from BIB members indicate that they agree the topic is important, but more practical real-world guidance is needed. Also frequently cited as over-hyped were mobile learning and e-learning.

Finally, general predictions were made for 2007. Nearly 60 percent reported a more optimistic outlook than in 2006. Only 11 percent reported less optimism. Nearly 20 percent are generally positive about the growth of learning — a sharp departure from the predictions made in 2005. In fact, the “positive outlook” category of responses was not even needed when analyzing the predictions made in 2005. Another category of responses showing a significant increase compared to previous years is the prediction that training will become more aligned to business needs and be more accountable. This prediction category increased from 5 percent in 2005 to 13 percent in 2006.