



Enterprise Learning and Talent Management 2007

*Trends, Areas of Focus and
Predictions for 2007*

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TABLE OF CONTENTS

This Research	3
1. Dramatic Increase in Training Budgets	3
2. Change in the Structure and Operations of Corporate Training	5
3. New Economics Lead to Increased Outsourcing	8
4. Leadership Development Takes Center Stage	10
5. Talent Management Drives Changes in HR	14
6. e-Learning Matures, but Continues to Evolve	20
7. Learning Content Management Is Growing	23
8. e-Learning 3.0 Arrives: Self-Published Content	24
9. e-Learning Approaches Continue to Evolve	27
10. LMS Market Changes Again	31
11. Measurement and Analytics Continue to Be a Challenge	32
Summary	34
Come Meet Us in 2007	35
How to Participate in Our Research Process	36
Becoming a Research Member	36
Appendix I: Table of Figures	37
About Us	38
About This Research	38

This Research

This is the third year that we have published our year-end review and forecast for the new year. The goal of this report is to summarize some of our biggest research findings in 2006 and give our readers perspectives for 2007. We hope that this report helps you better plan and benchmark your investments for the coming year. As always, we welcome your feedback and comments on any of the topics discussed in this report.

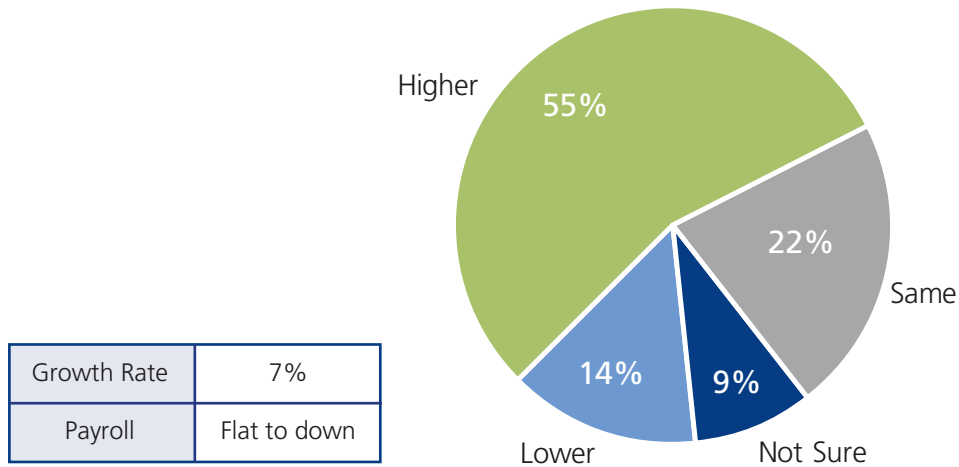
1. Dramatic Increase in Training Budgets

In 2006, training budgets increased by record levels. This past year, we worked with *Training* magazine to perform one of our largest-ever surveys of North American training spending¹. Total spending on corporate training increased by seven percent in 2006 – the largest increase in more than five years. Today, the average corporation spends \$1,273 per employee per year (with wide industry variations from below \$400 per employee in healthcare to more than \$2,000 per employee in professional services).

Why the increase? We see three reasons.

- **Economic Growth:** First, the U.S. economy is growing. As companies grow, they hire more people, move employees into new positions, and develop new products and services. These changes demand greater spending on training.
- **Talent Shortages:** Almost every industry is now suffering from talent shortages.
 - In healthcare and insurance, there is a dramatic shortage of nurses and specialized healthcare workers.
 - In high technology, IT skills are in short supply again.
 - Almost all industries have a shortage of qualified salespeople.

¹ For more information, *The Corporate Learning Factbook® 2007: Statistics, Benchmarks and Analysis of the U.S. Corporate Training Market*, Bersin & Associates / Karen O'Leonard, January 2007. Available to research members at www.elearningresearch.com or for purchase at www.bersin.com/factbook.

Figure 1: Training Budgets Increased in 2006 ²**How does your 2007 Budget compare with 2006?**

Source: Bersin & Associates, 2007.

PREDICTIONS

Driven by economic growth and talent management needs, 2007 will continue to be a growth year for corporate spending on L&D. Organizations will use these budget increases to focus on “talent-driven” learning programs, leadership development, onboarding and technology infrastructure.

Such talent shortages lead to increased focus on hiring and training existing employees to take on new positions.

- **Talent Management Focus:** As we describe further in this report, HR is undergoing a transformational change. To meet pressing talent needs, organizations are focusing on integrated talent management processes:
 - Recruiting;
 - Performance management;
 - Leadership development; and,
 - Succession planning.

As HR integrates and improves these processes, learning and development (L&D) becomes more strategic. Organizations are refocusing their “performance-driven” training into “talent-driven” training. We will describe this transition further in this report.

² For more information, *The Corporate Learning Factbook® 2007: Statistics, Benchmarks and Analysis of the U.S. Corporate Training Market*, Bersin & Associates / Karen O’Leonard, January 2007.

2. Change in the Structure and Operations of Corporate Training

The organization, makeup and mission of the training function in corporations are changing. High-impact training organizations have moved away from the corporate university model toward a **shared-services model**³. As a shared-services organization, L&D is spending a much higher percentage of its budget on technology and outsourced services – and focusing more heavily on strategy, alignment, measurement and performance consulting.⁴

PREDICTIONS



In 2007, organizations will continue

to abandon the “corporate university” model and shift toward “learning services.”

Training organizations will focus on building business plans to clarify their strategies, operational plans and service-level agreements.

Consider the following trend. Despite the increase in total U.S. training spending, most organizations told us that their payroll was flat to declining. **In 2006, the percent of training budget spent on payroll declined by 11 percent**, indicating a major shift toward spending on technology and outsourced service providers.

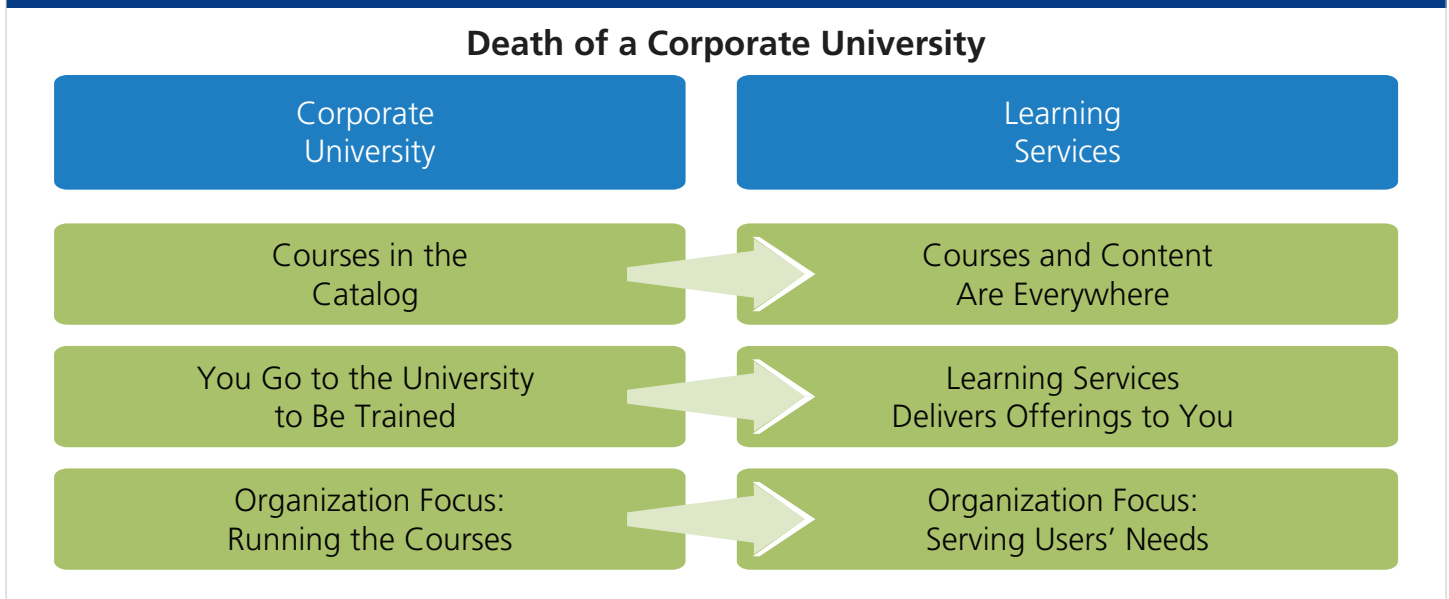
As we have described in many of our research reports, training is continuing its evolution from the corporate university model toward the shared-services model. What is this new model and how does it replace the more traditional corporate university?

Examine Figure 2. In a corporate university (popular in the 1980s and 1990s), the training organization is a “collection of courses.” The organization is dominated by content developers, instructors, classrooms and program managers. Employees “go to the university” to be trained and the organization focuses on the operations of its learning programs.

Today, however, because of the rapid influx of technology and rapid rate of change in businesses, this model no longer works. Content and courses are everywhere; in fact, one of the hottest new areas of corporate

³ “Shared services” refers to an internal business function that provides consulting and operational services to various groups within the company. A shared-services organization defines its services, establishes service-level objectives, measures its operational performance, and focuses on customer support and service to its internal clients. Its role is to enable, support and empower business units to do their jobs.

⁴ For more information, *High-Impact Learning Measurement: Best Practices, Models, and Business-Driven Solutions for the Measurement and Evaluation of Corporate Training*, Bersin & Associates / Josh Bersin, November 2006. Available to research members at www.elearningresearch.com or for purchase at www.bersin.com/measurement.

Figure 2: Changes in the Training Organization

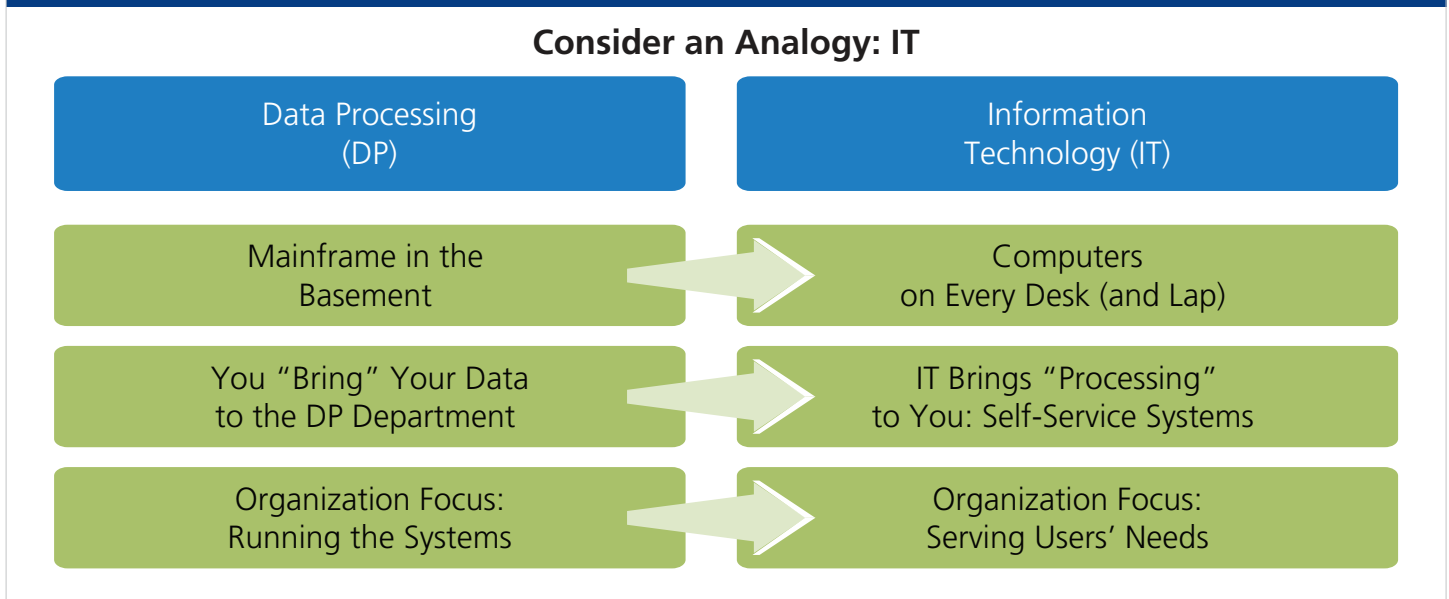
Source: Bersin & Associates, 2006.

learning is “self-published content” – the use of blogs, wikis⁵ and other tools to enable workers to publish and share information quickly with each other. While formal learning is not going away, it is, however, becoming a smaller and smaller percentage of the training organization’s role.

We believe the new organization is best named “Learning Services.” This is not a “training organization” but, rather, a service organization. Instead of developing and running a catalog of courses, learning services builds and delivers the training, performance support and consulting a company needs.

Effective learning organizations now focus on time-to-market, meeting client business managers’ specific needs, and the use of outsourced service providers and technology to deliver high-fidelity, high-impact programs at the lowest possible cost. Our *High-Impact Learning*

⁵ For more information, please see these reports: (1) *New Technologies for Corporate Learning: Part 1 – Podcasts, Blogs, and Wikis*, Bersin & Associates / Karen O’Leonard, May 2006; and, (2) *Podcasting: A New Technology for Learning*, Bersin & Associates / Karen O’Leonard, November 29, 2006. Available to research members at www.elearningresearch.com.

Figure 3: Data Processing Versus IT

Source: Bersin & Associates, 2006.

Management study⁶, highlights how this shift has changed the way learning organizations measure and benchmark their training programs.

The shift in L&D is identical to the transition that has taken place in IT (see Figure 3). We have evolved from the era of "data processing" departments in the 1970s and 1980s to the "information technology" groups of today. IT focuses on delivering worker-centric services, not just running mainframes. Likewise, learning services focuses on rapid and effective response to business needs – not just "running courses."

For more information on these changes, we highly recommend you read, *The High-Impact Learning Organization*⁷ (our keynote research on this topic) or come to one of our *Building the High Impact Organization* workshops⁸ in 2007.

6 For more information, *High-Impact Learning Measurement: Best Practices, Models, and Business-Driven Solutions for the Measurement and Evaluation of Corporate Training*, Bersin & Associates / Josh Bersin, November 2006.

7 For more information, *The High-Impact Learning Organization: WhatWorks® in the Management, Operations, and Governance of Corporate Training*, Bersin & Associates, June 2005. Available to research members at www.elearningresearch.com or for purchase at www.bersin.com/highimpact.

8 For more information, *Building the High Impact Learning Organization*, a Bersin & Associates *WhatWorks®* Workshop, will be offered throughout the U.S. in 2007. For more information, please visit <http://www.bersin.com/workshops>.

3. New Economics Lead to Increased Outsourcing

Along with the increases in training budgets and change in organization models mentioned previously, we believe that corporate training is now driven by a new economic model (as described in the section, “2. Change in the Structure and Operations of Corporate Training”). As we explain below, this new model has led to a greater reliance on technology, outsourcing and performance consulting – and has created the need to better measure business operations.

Let us explain.

The training organization has always been viewed as a cost center. Training programs represent a cost of doing business – similar to other employee costs, such as salary, benefits and office space. As a cost center, the training organization has always struggled with the challenge of cost-justifying its budget. When business is good, training budgets increase. When business is not good, training budgets are cut.

Around 2000, e-learning hit the scene. Initially, e-learning was viewed as a way to reduce this cost. A company could develop content online, deliver it to far more employees and, thus, reduce the cost of training (or reduce the cost per student-hour).

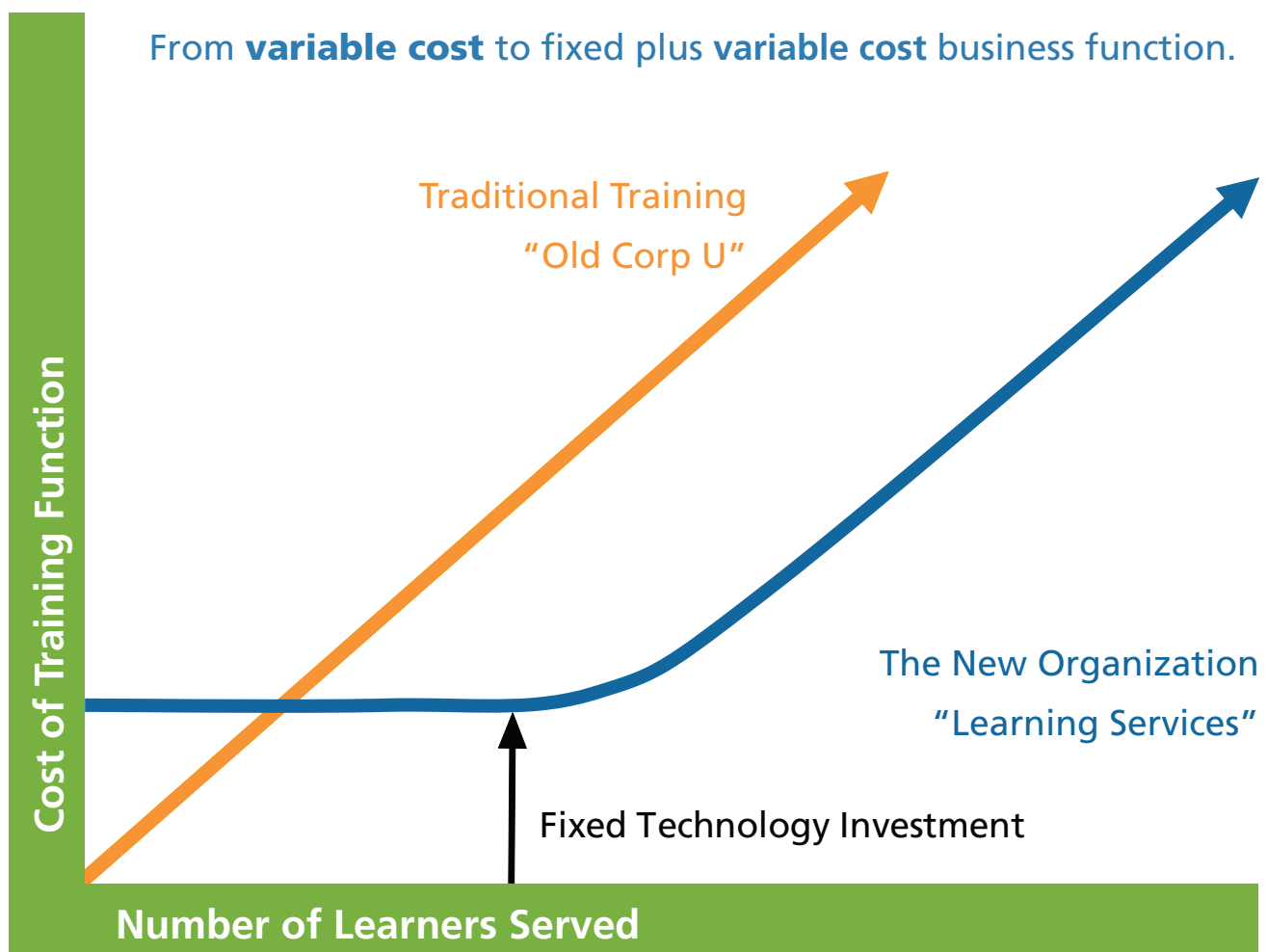
The emergence of e-learning has significantly changed the economics of training; it shifted the L&D function from a “variable cost” function to a “fixed plus variable cost” function. Consider Figure 4. In the old days (indicated in orange), the cost of training went up linearly as we trained more people. As a result, we sized the training organization (and budget) based on the number of employees to be trained.

In today’s economic model (indicated in blue), the training organization itself must take on significant investments in technology. This technology (e.g., LMS, tools, infrastructure and the staff to support it) is fixed, regardless of the number of learners served. The end result (as shown in Figure 4) is that we can reach far more people with much more content for the same cost. (Our research proves that e-learning investments do not, by the way, reduce overall costs; rather, they allow these costs to be more efficiently leveraged across the organization.)

The fixed investments (including the LMS, content development tools, measurement systems and a variety of other technologies) require staff to evaluate, implement and manage these investments. This ongoing “fixed” cost represents the difference between the orange and blue lines on the left side of Figure 4.

These new economics create problems (and opportunities). First and foremost, the organization must reallocate resources. Instead of two-thirds of the training organization being focused on delivery, these roles are being replaced with new roles in technology, content development, measurement and support.

Figure 4: New Economics of Training



Source: Bersin & Associates, 2006.

PREDICTIONS



In 2007, outsourcing will continue to grow. Learning organizations will continue to refine their outsourcing strategies, enabling others to take on program development and management, while they focus on performance consulting, strategy, measurement and business alignment.

Moreover, in some organizations the management of technology is a problem. Many companies do not have the skills or focus to manage technology effectively. They struggle with the LMS, content development, assessments and many other arcane technologies required to succeed at technology-based training. These companies want to focus on instructional design, performance consulting, leadership development and talent management. The “organizational development” (OD) roles have become more strategic than ever – yet, they are competing for resources with technology and infrastructure.

One of the results is a **tremendous expansion in the role of outsourcing**. Today’s high-impact learning organizations outsource significant amounts of their content development, infrastructure and delivery. They can afford to do this because of the dramatic increase in scale they have achieved. By implementing an infrastructure that reaches many more employees at a far lower cost per hour, the training organization (now set up as a shared-services group) can selectively outsource areas, which are not core to the company’s expertise and focus.

4. Leadership Development Takes Center Stage

PREDICTIONS

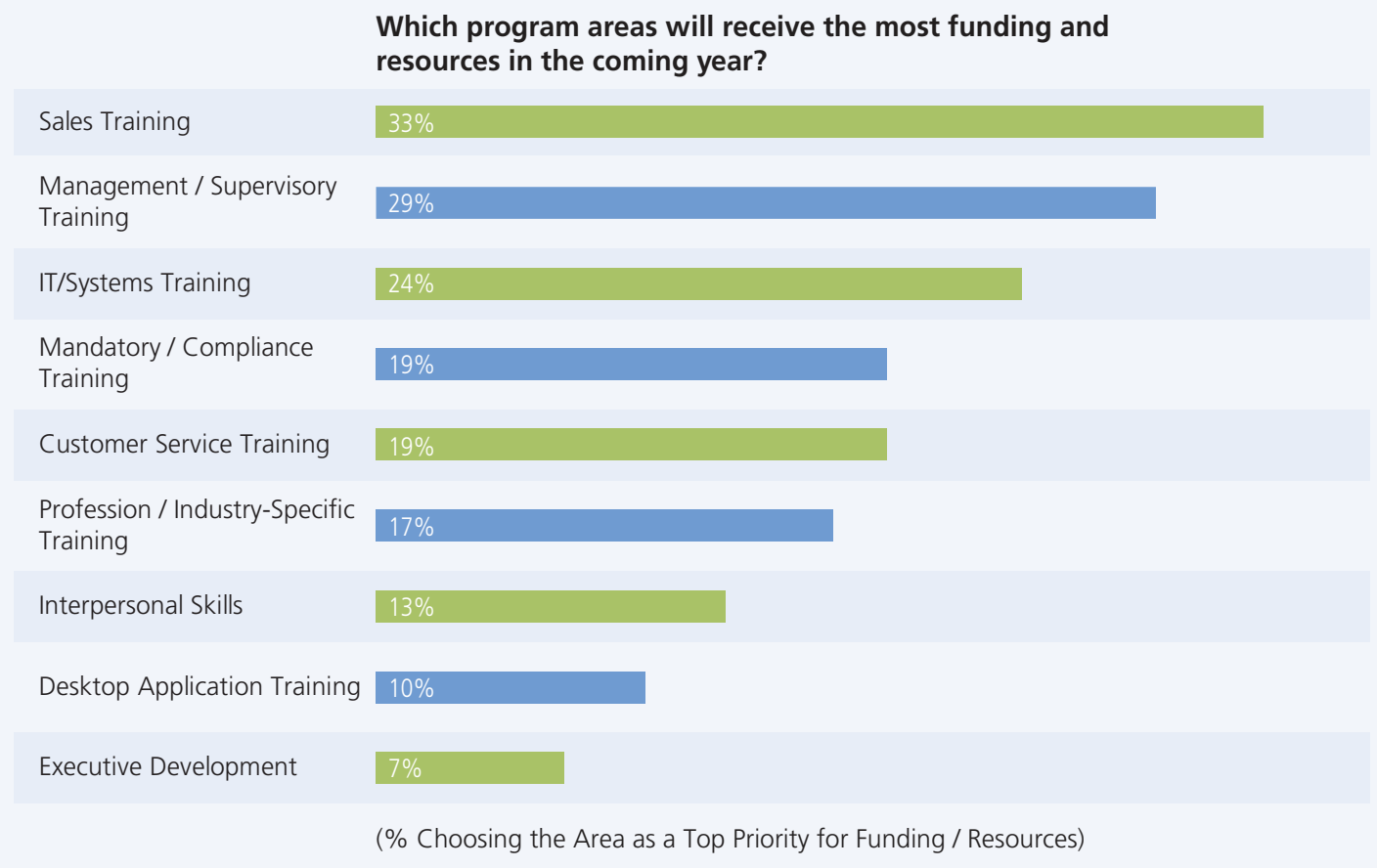


In 2007, leadership development will evolve, increasing its focus on middle managers. Organizations at Levels 3 or 4, will see tremendous improvements in their talent pipelines; those at Levels 1 and 2 will be frustrated by a lack of organizational impact.

Leadership development, always an important role for corporate training, has become more central than ever. Today, as described in detail in *The Corporate Learning Factbook® 2007*⁹, the largest single program area of spending continues to be leadership and management education. This program area is also the top priority for 33 percent of all training organizations (followed by sales training at a close second).

This is not new news; in our 2005 to 2006 research, we found the same result. What is new, however, is the push toward integrating leadership development into talent management processes, such as succession planning. Our talent management research indicates that, among all the talent-related processes in HR, more focus is being given to leadership development and succession planning than almost any other area (with performance management taking the number two spot).

⁹ For more information, *The Corporate Learning Factbook® 2007: Statistics, Benchmarks and Analysis of the U.S. Corporate Training Market*, Bersin & Associates / Karen O’Leonard, January 2007.

Figure 5: Program Areas Receiving the Most Funding / Resources in 2007

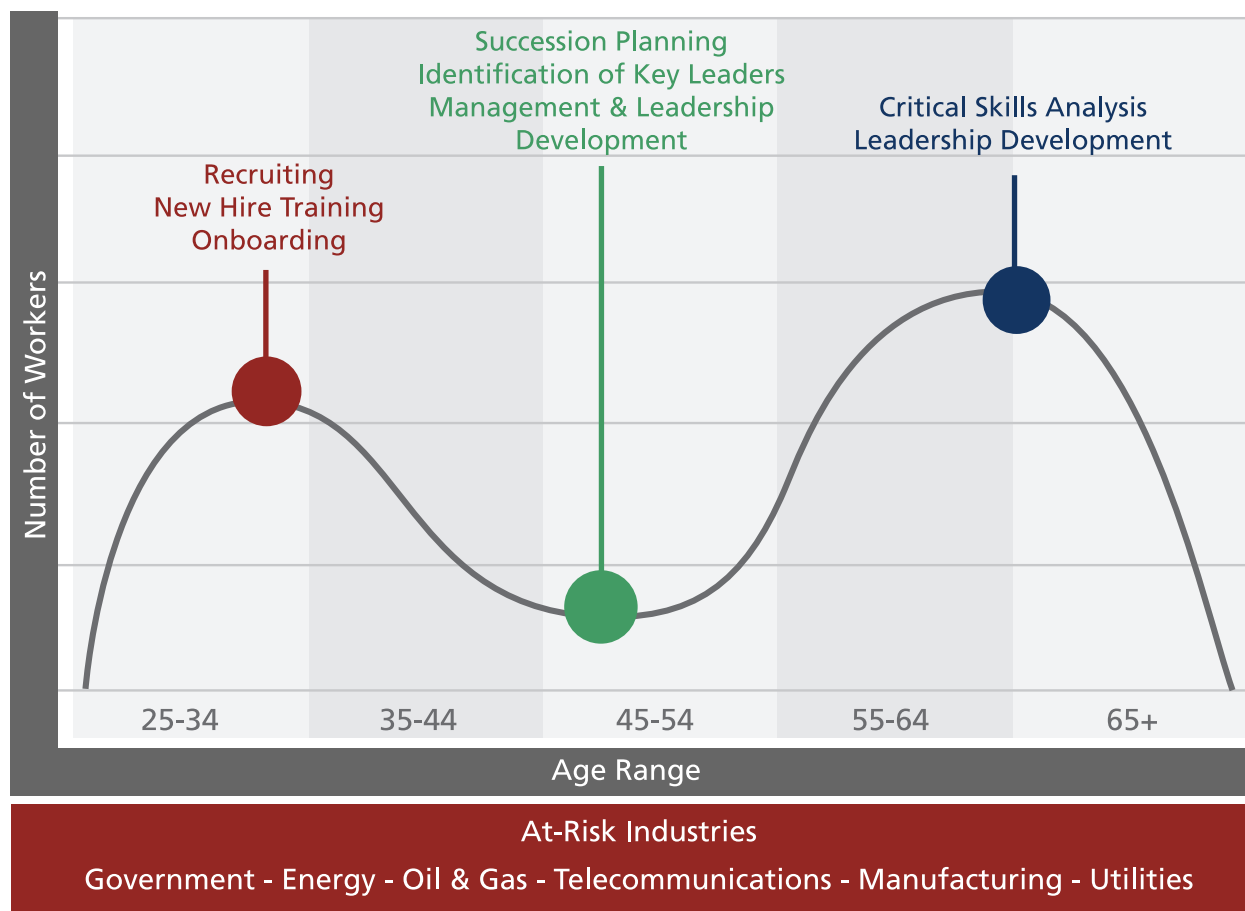
Source: Bersin & Associates, 2007.

Leadership development itself is also an area that organizations want to improve. When we asked HR managers to rank their biggest areas for improvement in 2007, leadership development was rated number one. Thirty-six percent of respondent organizations stated that leadership development and succession planning would be their top focus areas for next year.¹⁰

Why the big focus in this area? There are two major reasons.

- **First, we have entered a “war for talent.”** With a growing economy and an aging workforce, organizations in almost every industry are suffering from a lack of middle managers. Companies must build from within their ranks. Forty-one percent of HR managers tell us that

¹⁰ This information is based on a current research project on the topic of talent management, the report for which is due to be published in Q2'07.

Figure 6: Corporate Demographics Demand Talent Management

Source: Bersin & Associates, 2006.

one of their top talent challenges is “building and maintaining their leadership pipeline.”

- **Second, the aging workforce has changed the demographics of U.S. corporations.** As Figure 6 illustrates, organizations tell us that their greatest talent gaps lie in their mid-manager workers. Fewer individuals hold these jobs – requiring companies to push younger workers into responsible roles at accelerating rates. This demographic shift has fueled a tremendous demand for integrated leadership development.

Figure 7: Bersin & Associates Leadership Development Maturity Model

Source: Bersin & Associates, September 2006.

In 2006, we advanced our research in this area with our Leadership Development Maturity Model¹¹. We encourage readers to understand it – this four-level model (see Figure 7), identified through nearly a year of in-depth research, illustrates how organizations mature in this area. While 65 percent of organizations still function at Levels 1 and 2, our research indicates that companies see exponential improvements in retention, alignment and business engagement by moving up this maturity model.

¹¹ For more information, please refer to the following reports: (1) *WhatWorks® in High-Impact Leadership Development: Essential Components, Best Practices and Case Studies*, Bersin & Associates / Kim Lamoureux, September 2006; and, (2) *Leadership Development Maturity Model®: Executive Summary*, Bersin & Associates / Kim Lamoureux, September 2006. Available to research members at www.elearningresearch.com.

5. Talent Management Drives Changes in HR

Our research this year shows that the buzz phrase “talent management” has taken on a real business meaning – and, in fact, we believe it is changing the very nature and purpose of HR itself.

In the 1960s and 1970s, the HR organization was focused on the transactional business of managing people – hiring people, paying people and implementing systems to support these transactions.

During the 1980s and 1990s, the focus shifted to a more “strategic HR” – by turning outward, the HR organization established “business partner” relationships with business managers. In this era, the HR organization established new functions:

Figure 8: The Evolution of HR¹²



Source: Bersin & Associates, 2006.

¹² For more information, Performance Management 2006: Comprehensive Industry Study: Market Analysis, Trends, Best Practices, and Vendor Profiles, Bersin & Associates / Josh Bersin, June 2006. Available to research members at www.elearningresearch.com or for purchase at www.bersin.com/perfmgt.

- Recruiting;
- Learning and development;
- Organizational design;
- Total compensation; and,
- Employee communications.

The idea of “strategic HR” was to make HR very business-focused, ensuring that any program developed by HR is both aligned with and prioritized to drive direct business value.

Today, we have entered a third era – the role of HR as “steward of the organization’s talent management process.” Without belaboring the drivers for talent management (i.e., labor shortages, leadership pipeline, changing demographics, baby-boomer retirements), this new role is very different. Now, it is not enough for HR to partner with lines of business; HR must understand and develop **organizational capabilities**.

In this new role, HR managers and executives now realize they must:

- Identify who the critical talent is;
- Understand that talent’s strengths and weaknesses; and,
- Integrate and refine the business processes to hire, develop, compensate, promote, retain and measure this talent.

This integrated approach to the management organizational capabilities is changing the nature of corporate HR.

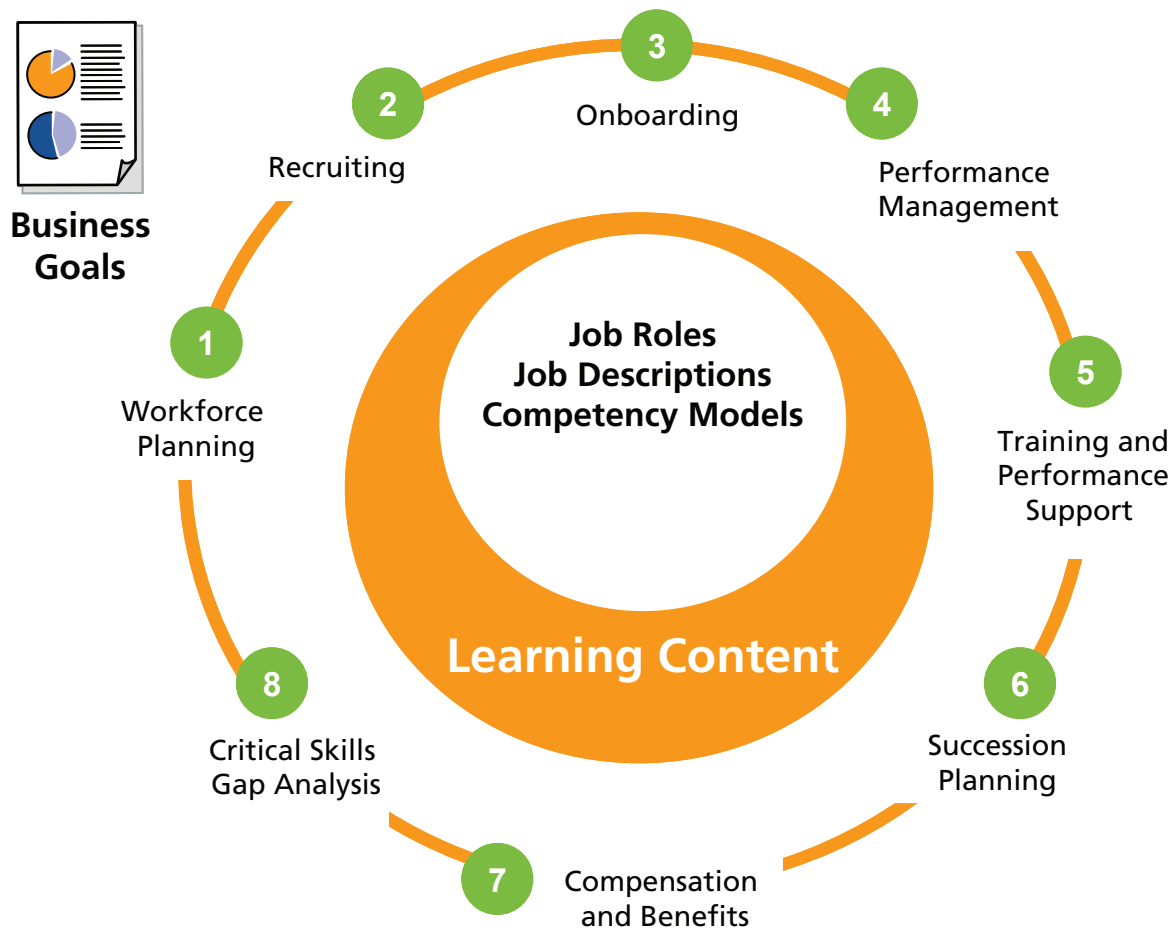
We are in the middle of a major research program in this area. What we are seeing is that, in order to answer these questions, the organizations must integrate their people processes. The HR silos of staffing, compensation, performance management, leadership development and succession planning must be better integrated. Workforce planning is taking on a larger role. And HR systems must be better integrated to provide a more complete view of the workforce.

What does this mean for training organizations? Our research indicates that five significant trends are occurring.

a) Performance management and corporate learning are being integrated.

Organizations are rapidly implementing new, enterprisewide systems and approaches for performance management. An integral part of this process is the creation of development plans for each employee. This process (when well-integrated) should create clear demands for learning plans, coaching programs, management and leadership programs, and other “talent-driven” learning programs¹³.

Figure 9: The Talent Management Process



Source: Bersin & Associates, 2006.

¹³ For more information, *The Convergence of Learning and Performance Management: Has Talent Management Arrived?*, Bersin & Associates / Josh Bersin, October 2006. Available to research members at www.elearningresearch.com or for purchase at www.bersin.com/convergence.

The learning organization must now reconsider its content strategy – “Do we have the right portfolio of training and development programs to meet the development plans of our workforce?”

We believe there is a shift taking place – from pure “performance-driven” learning programs to “talent-driven learning programs.” Rather than offer a wide range of training on various topics, training organizations must refocus on programs that are aligned with job roles and critical talent needs (see Figure 10).

b) Performance and learning management platforms are being integrated.¹⁴

The LMS market continues to grow at nearly 25 percent per year; organizations are purchasing, consolidating and better integrating their learning platforms. At the same time, the market for integrated performance management systems is growing even faster. Organizations now realize that, in order to solve their talent management challenges, they must integrate these two applications – providing an integrated platform to facilitate goal management, performance assessment, development planning and training.

To respond to this growing demand, in the last 12 months almost every major provider of learning management systems has announced plans to include performance management functionality in its platform.

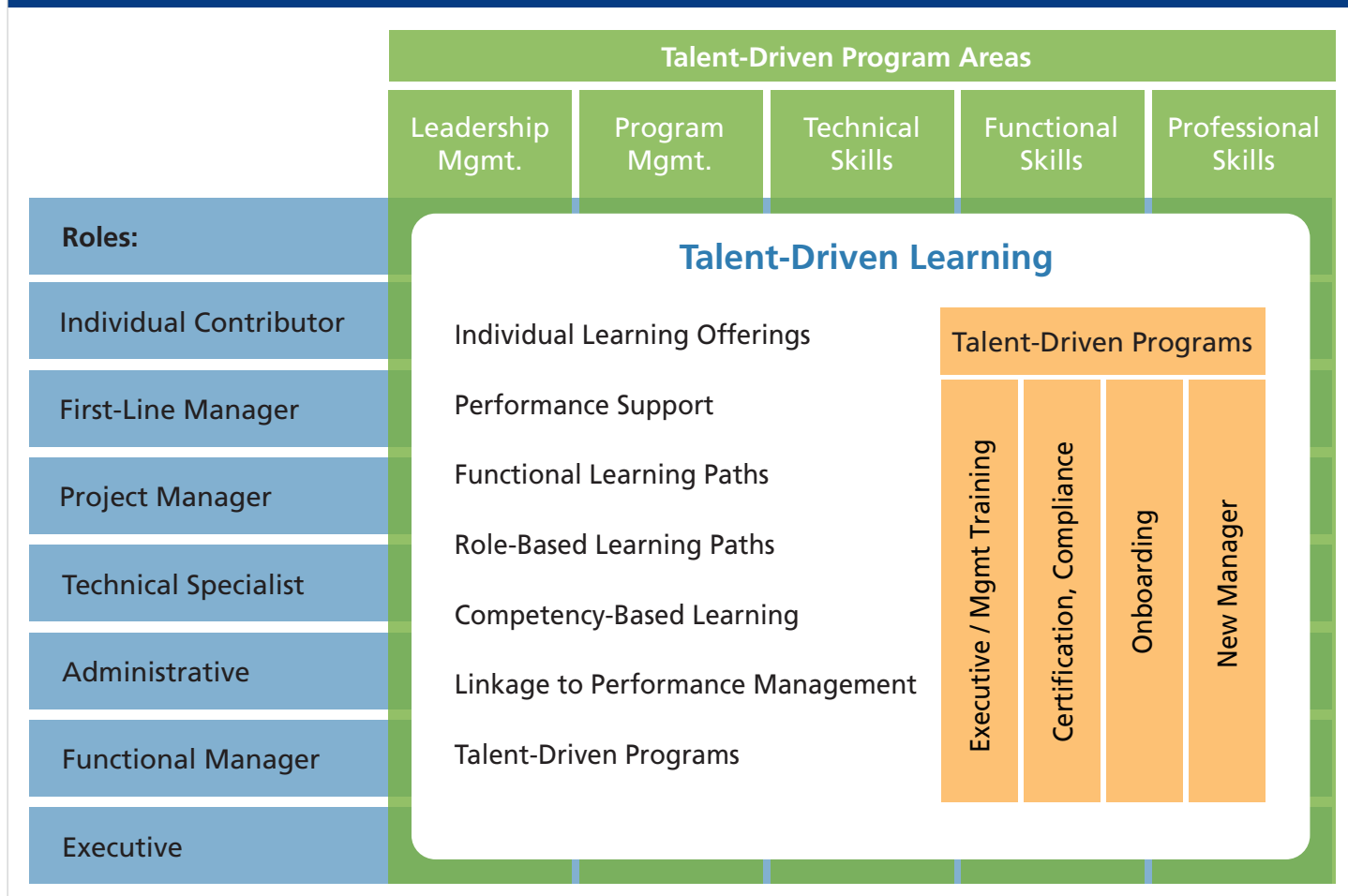
While very few organizations have implemented these integrated solutions as yet, the writing is on the wall: no organization should be selecting or upgrading its LMS without considering its plans for automated performance management.

c) Organizations rethink their core competencies.

As organizations embark on their programs to hire, develop, compensate and promote employees, they find more and more need for an integrated competency model. All performance management systems and processes are built around some core set of broad or job-level competencies.

Today, most mature organizations have a set of core competencies (typically six to 10), in addition to a set of leadership competencies used

¹⁴ For more information, *The Convergence of Learning and Performance Management: Has Talent Management Arrived?*, Bersin & Associates / Josh Bersin, October 2006.

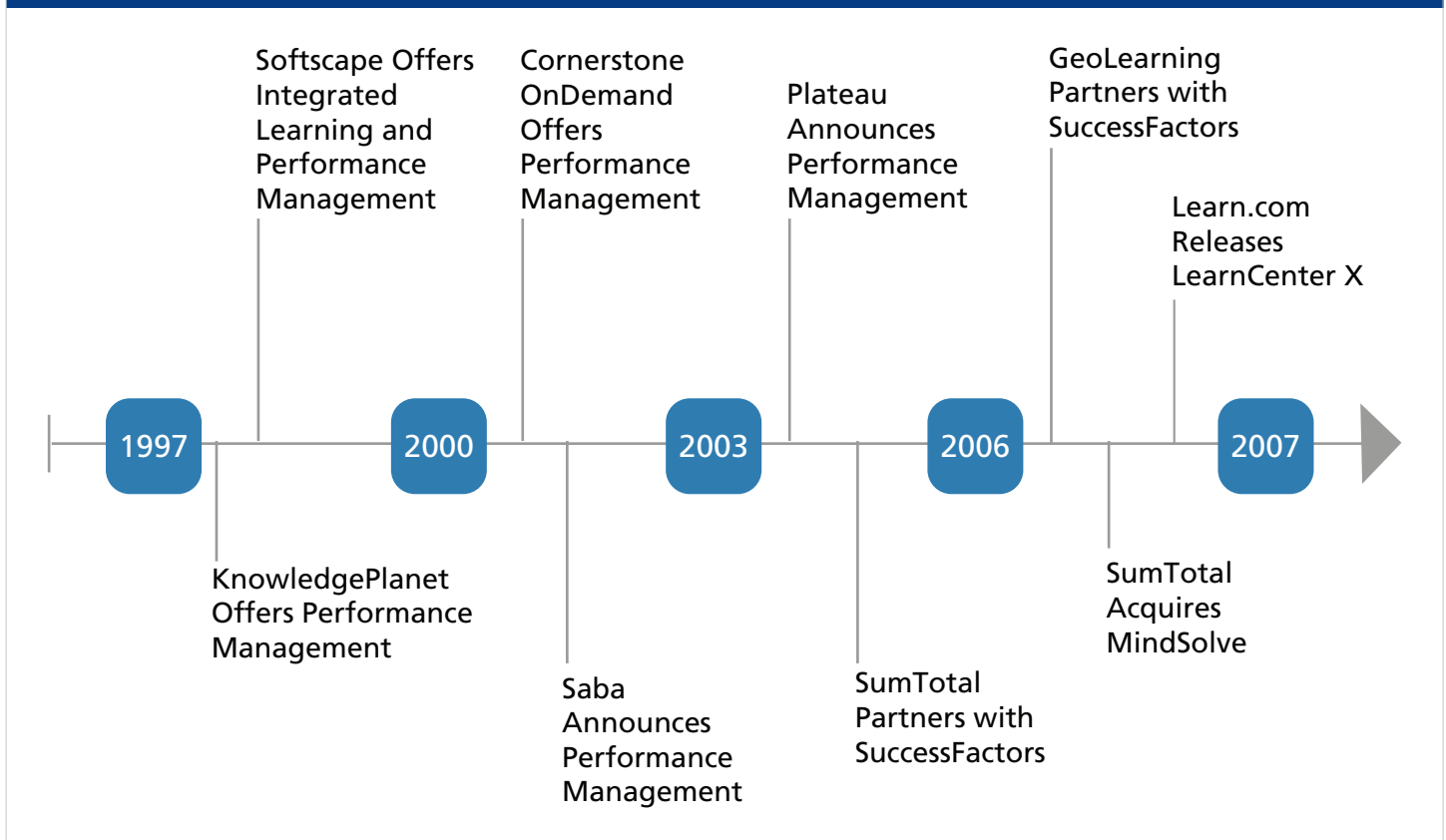
Figure 10: The Talent-Driven Learning Organization

Source: Bersin & Associates, 2006.

for managers and high-potential leaders. Organizations that do not have competency models are being forced to seriously rethink their corporate competencies.

We are just completing a fascinating study in the use of competencies in the performance management process¹⁵. This research (which will be available in January 2007) illustrates how competency management leads directly to financial performance. It turns out that different industries can focus on specific competencies which, in turn, lead to increased revenue growth and profitability.

¹⁵ For more information, *Th Role of Competencies in Driving Financial Performance*, Bersin & Associates / Josh Bersin, January 2007. This free research report is available at www.bersin.com/competencies.

Figure 11: LMS Convergence with Performance Management

Source: Bersin & Associates, 2006.

d) Organizations are revamping, improving and automating performance management.

Underlying all talent management issues (whether they are talent shortages, leadership gaps or retention challenges) is the problem of employee performance management. HR organizations now realize that, through the use of modern systems and traditional management methodologies (e.g., cascading goals, development planning, balanced scorecards), the performance management process can become the core of a talent management strategy.

When the performance management process works, organizations have the “people currency” to:

- Identify leaders;
- Drive higher levels of engagement;

PREDICTIONS



Most organizations will create a

job role for “director or vice president of talent management.” This individual will develop an integrated strategy for talent management across the company. In 2007, these strategies will develop into operational plans and new processes. Workforce planning will emerge as a “must-have” function in HR.

- Focus compensation on driving results; and,
- Concentrate the L&D investment in the most pressing areas.

We will publish a significant amount of research on best practices in performance management in 2007.

e) New job roles and organization structures are emerging.

Organizations are changing job roles to meet these needs. Many companies we talk with have promoted their chief learning officers (CLOs) into the role of vice president of talent management, and have given these individuals the responsibility for staffing and onboarding, as well as corporate training. Other organizations have created an entire OD unit, run by the vice president of organizational development or vice president of talent management, which integrates staffing, leadership development, succession planning, performance management and talent-driven learning. Organizations are searching for people who can take on the important function of workforce planning and analysis. We believe almost everyone working in the L&D function will find new career opportunities in talent management over the next two to three years.

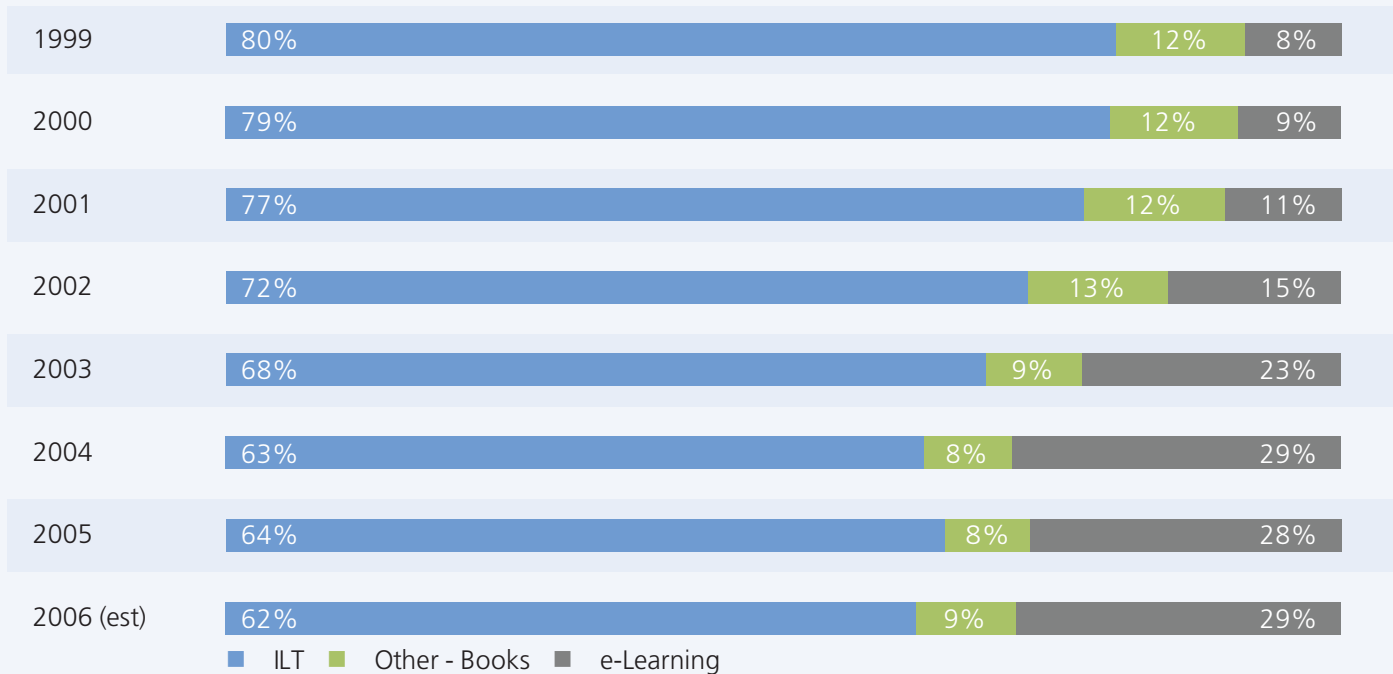
Our major corporate talent management research will be published in the first half of 2007. After nearly two years of studying this trend, we expect to offer our research members an entire library of trends, best practices, benchmarks and vendor research to help companies deal with this new world.

6. e-Learning Matures, but Continues to Evolve

In 2006, e-learning continued its evolution into a mainstream approach to corporate training. As Figure 12 illustrates, the rate of increase of e-learning has slowed. Almost every organization we talk with has some form of e-learning now available to their employees.

Several years ago, we published our research on the stages of evolution in e-learning¹⁶ and these four stages still apply today.

¹⁶ For more information, *The Four Stages of E-Learning: A Maturity Model for Online Corporate Training*, Bersin & Associates / Josh Bersin, October 2005. Available to research members at www.elearningresearch.com or for purchase at www.bersin.com/stages.

Figure 12: 2006 Maturing of e-Learning**Corporate Training Delivery by Method
(by training hours)**

Source: Bersin & Associates, 2007.

Fewer and fewer organizations are at Stage 1. Through the use of rapid e-learning tools, it is now easier than ever to put instructional material online. Webcasting tools (e.g., Centra, iLinc, Microsoft Live Meeting, WebEx, WebRoom and others) are now ubiquitous in large organizations, making it easy for instructors and subject-matter experts (SMEs) to train large groups online.

The big issues companies now face are those experienced in Stages 3 and 4.

- How do I maintain the volume yet increase the quality of the e-learning we are delivering?
- How do I add simulations and other high-fidelity activities and exercises to our programs to develop higher levels of mastery?
- How can I reduce the cost and complexity of our LMS yet, at the same time, increase the range of learning offerings available to our employees?

Figure 13: The Four Stages of e-Learning

Source: Bersin & Associates, 2005.

PREDICTIONS



e-Learning will continue to be a focus area for all training organizations. Just as organizations think they have “figured it out,” something new will come along that warrants interest. Organizations, which succeed at e-learning, will have highly focused teams that closely watch the success and failure of instructional technologies, approaches and methodologies across their organizations.

- How do I create a better “learning environment” for employees, so that they can find “just what they need” – including training, information and performance support?
- How do I help our employees learn from each other, through communities of practices, blogs, wikis, expert directories and other forms of self-published content?
- How can I offer employees access to online books, searchable knowledge databases, FAQs and other “on-demand” learning in a cost-effective and relevant way?
- How do I organize our L&D function, so that we can establish centralized standards, yet empower business units and geographies to rapidly develop and publish content that is pertinent to their needs?

One of the most significant indications of e-learning maturity was the acquisition of NETg by SkillSoft¹⁷. From 2000 to 2005, these two companies were among the fastest-growing e-learning companies in the market. Today, as buyers ask questions (such as the ones above) the off-

¹⁷ For more information, *SkillSoft Acquires NETg from Thomson Corporation:*

A Corporate E-Learning Powerhouse Is Created – The New SkillSoft, Bersin & Associates / Josh Bersin, October 30, 2006. Available to research members at www.elearningresearch.com.

the-shelf content market has become more and more commoditized. The new SkillSoft now has the depth, financial resources and customer reach to address the above questions.

7. Learning Content Management Is Growing

Going back once again to the evolution of e-learning (see Figure 13), we illustrate that Stage 4 is “learning on-demand.” Our research members tell us that “delivering up-to-date content, coupled with performance support” is now their number one or number two issue in training.

Companies at Stage 3 tell us that their content is “all locked up” in courses. They want to be able to:

- Quickly edit content when materials change;
- Republish content into printed materials and other forms;
- Make content available as FAQs or searchable knowledge databases;
- Develop multilanguage versions from the same source;
- More rapidly develop the content, using the skills of a wide variety of SMEs; and,
- Assign roles and responsibilities to their content developers (e.g., editors, translators, flash designers and so on).

There are dozens of examples of such problems; consider:

- The sales training system that provides up-to-date training, competitive analysis, pricing and certification programs;
- The customer-service system that provides an FAQ database, training, and access to experts and other support reps online; and,
- The field service training that not only develops mastery in the classroom but also provides field service reps access to online help through their mobile devices.

These problems are not problems of content development or learning management; they are problems of **content management**. We have maintained for years that the LCMS market (learning content

PREDICTIONS



Organizations, which believe they have

finally implemented their LMS strategies, will now turn their focuses toward an LCMS. Those companies at Stage 2 or Stage 3 will start to write a business case and select solutions. Those organizations, which do not know what an LCMS is, will start to see the value.

management systems) was eventually going to become a robust market – with a variety of vendor solutions available.

In 2006, this has happened. LCMS companies, like EEDO, OutStart and Giunti Labs are now production-ready. Almost one-third of our research members tell us they are searching for and selecting some form of LCMS for their training organization. Nearly every LMS vendor offers an LCMS solution with its platform.

8. e-Learning 3.0 Arrives: Self-Published Content

At the risk of using buzzwords (which we try not to use), let us talk about Web 2.0 or “self-published content.” Over the last 12 months, there has been an explosion in the use of blogs, wikis and podcasting¹⁸ to enable people to self-publish information quickly and easily. This self-publishing trend has had a major impact on our political systems and social networks by making the world more “transparent,” and giving everyone a voice.

This same paradigm is starting to change corporate organizations and we believe the training organizations should try to harness it. Consider one of the biggest problems in any organization: people are continuously learning, interacting and developing new approaches to solving problems. Some of these approaches (e.g., new sales techniques, new engineering approaches) work and others do not. How does an organization share this collective wisdom (which is occurring in real-time) between workers? The answer appears to be the Web 2.0 self-publishing technologies.

There has been an explosion in experimentation with **blogs** (self-published webpages), **wikis** (self-published webpages that anyone can edit) and **podcasts** (self-published audios and conversations). While very few organizations have developed proven approaches to using these tools in corporations, they are starting to show tremendous potential.

¹⁸ For more information, please see these reports: (1) *New Technologies for Corporate Learning: Part 1 – Podcasts, Blogs, and Wikis*, Bersin & Associates / Karen O’Leonard, May 2006; and, (2) *Podcasting: A New Technology for Learning*, Bersin & Associates / Karen O’Leonard, November 29, 2006.

One excellent example of this is the creation of a “community of practice.”¹⁹ Communities of practice enable workers in similar roles with similar interests to interact, answer each other’s questions, and share information quickly and easily.

In a sense, we believe this trend is a whole new wave of e-learning. One could consider it e-Learning 3.0 – the third major approach to training on the web. Let us explain.

Figure 14: Three Eras of e-Learning

e-Learning 3.0

Online Courseware

Courseware
Scenarios
Simulations
Video and Audio
Podcasting
Advanced Simulation
Gaming

1.0 Self Study

Live e-Learning

Webcasting
Instant Messaging
Online Video
Multicasting

2.0 Instructor-Led

Self-Published Collaboration

Discussion Rooms
Blogs
Wikis
Communities of Practice
FAQ Databases
Expert Directories

3.0 Collaborative

Source: Bersin & Associates, 2006.

¹⁹ For more information, *Communities of Practice: Lessons Learned from the Defense Acquisition University’s Acquisition Community Connection*, Bersin & Associates / Chris Howard, Publication Date: Q1’07. Available to research members at www.elearningresearch.com.

- The **first approach was self-study online courseware**, which is essentially an attempt to take instructor-led training (e.g., teaching) and put it into webpages. Courseware has now evolved into a wide range of content types, including interactivities, simulations, video and audio. But this remains an instructor-driven, self-study medium – an instructor, SME and designer create the content.
- The **second approach** (which is now widely used) is **live instructor-led training**. This technology, often called “webcasting,” includes the use of instant messaging and now online video (through web cameras) to bring the instructor to the student in real-time. This approach takes the instructor-led paradigm and extends it in space, allowing people to interact without leaving their desks, offices or homes.
- The **third approach** (which we believe is now starting to explode) is **the use of self-published content**. This content is typically informational (e.g., a few pages) and serves the purpose of answering questions, not developing skills. One indication of the huge demand for self-published content is the explosion in rapid e-learning (PowerPoint publishing to the web). Almost every major corporation now uses rapid e-learning (a term we coined back in 2002) in some form.

PREDICTIONS



All corporate learning organizations will experiment with blogs, wikis and podcasts. These systems will require monitoring and configuration to succeed, but many will identify tremendous opportunities for knowledge-sharing and self-publishing. Organizations, which ignore these tools, will be pressured by employees to adopt them.

What is new about self-published content today? Chiefly, it is easier and more dynamic than ever. For example, a person can publish a document to a blog in minutes and, in a few seconds, someone else could respond to it or even edit it (the wiki approach). The opportunities for knowledge-sharing in technical support, sales and other process operations are enormous.

We believe that the purpose of this “self-publishing” approach is not to make everyone an author but, rather, to unleash the collective wisdom of the crowds.

How can an organization harness this collective learning and share it among its employees? The FBI and CIA are going through this process right now. The 1970s and 1980s approach to U.S. intelligence relied upon file folders of secret information, hoarded by spies. The federal government now knows that, if they can “connect the dots” between islands of real-time information, they can quickly identify threats and security exposures. Only in the last year have they started to use blogs and wikis to share such information.

We published a best-practice report²⁰ on this topic in 2006 – and found that many organizations are experimenting with such tools today. We will publish detailed case studies on the use of these e-Learning 3.0 technologies in 2007.

9. e-Learning Approaches Continue to Evolve

As we have written every year since 2003, the “tree of e-learning” continues to grow new branches. As Figure 15 illustrates, the core of e-learning was the development of self-study courseware. Today, this core has sprouted many branches (shown as branches on the tree). Over time, some branches grow stronger and others “fall off.”

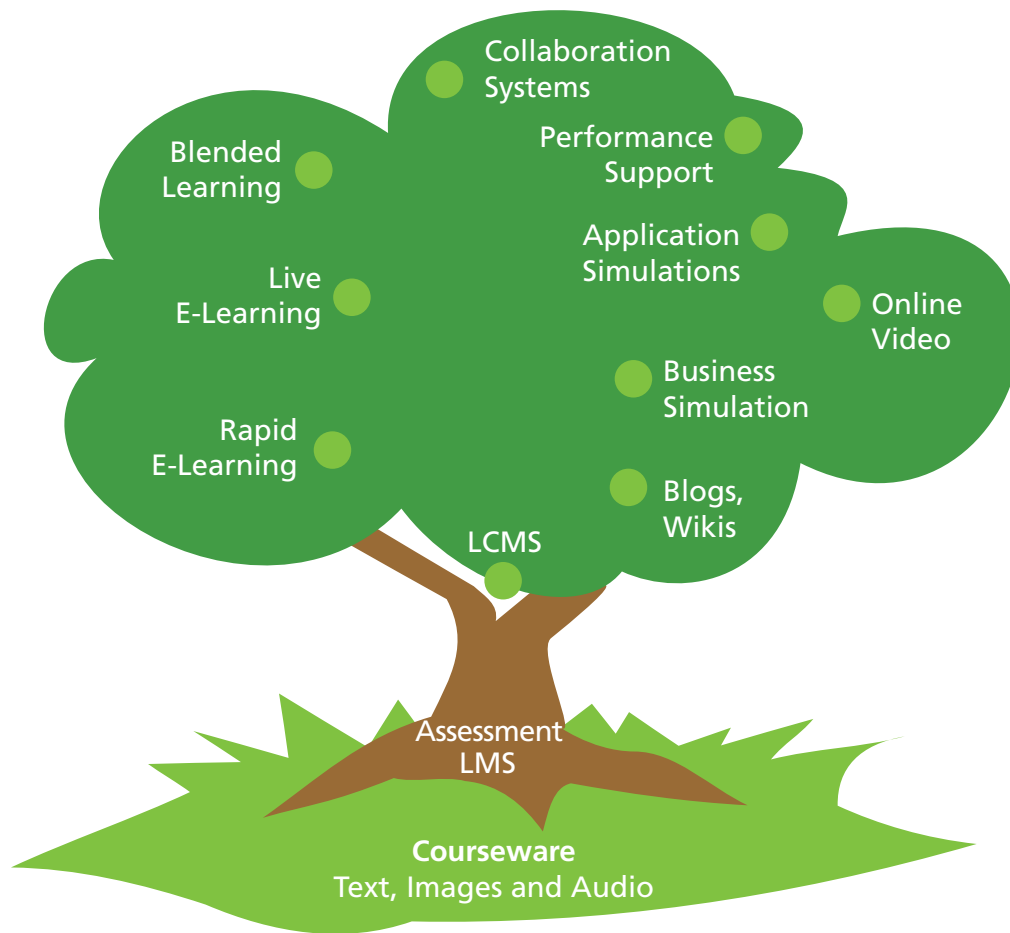
In 2006, we saw significant growth in the use of application simulations (made possible largely through low-cost, easy-to-use tools, like Captivate) and rapid e-learning (through the use of tools, like Adobe Connect, Articulate and others). We have also seen tremendous growth in the use of online video (through Flash), business simulations and performance-support portals to complement e-learning programs. Webcasting continues to grow, with more than 10 different solution-providers offering low-cost, live e-learning tools.

As Figure 15 shows, the roots of the e-learning tree are web-based courseware. The new branches for 2006 and 2007 focus on new media and collaborative approaches.

Big changes that took place in 2006 include the following.

- **Widespread adoption of blended learning:** More than 35 percent of corporate training programs are now blended in some way.
- **Continuous growth in rapid e-learning as an approach:** More than 25 percent of the companies we surveyed now use tools like Adobe Connect, Articulate, Breeze or other approaches to publish SME-authored instructional content on the web. (Where is Microsoft in this market?)

²⁰ For more information, please see these reports: (1) *New Technologies for Corporate Learning: Part 1 – Podcasts, Blogs, and Wikis*, Bersin & Associates / Karen O’Leonard, May 2006; and, (2) *Podcasting: A New Technology for Learning*, Bersin & Associates / Karen O’Leonard, November 29, 2006.

Figure 15: Evolution of E-Learning Approaches

Source: Bersin & Associates, 2006.

- **Establishment of the LCMS market:** Organizations with any significant amount of courseware now want to unlock the content to create multilanguage versions, performance support, print versions and easy-to-edit content. Almost 40 percent of mature LMS buyers are now looking at LCMS solutions.
- **Focus on high-performance, high-fidelity online training:** In our 2006 Learning Leaders²¹ awards program, we identified a large number of

²¹ The Bersin & Associates "Learning Leaders Program" is a research-driven program designed to identify and recognize organizations, which have developed and executed learning and development efficiently and with significant business improvements. Three leaders will be selected from each of five categories, for a total of fifteen recognized learning leaders. For more information, please visit: <http://www.bersin.com/llawards>.

Figure 16: High-Fidelity, Mastery Programs Using Animation and Simulations

The screenshot displays the Avon Beauty Basics online training program. The main interface includes a navigation menu with 'Overview', 'Avon Beauty', 'The Customer', and 'Wrap-Up'. The content area is titled 'What is Beauty?' and features a large image of a woman's face next to a bottle of Skincare. Below the image are four circular icons for 'Skincare', 'Color', 'Fragrance', and 'Personal Care'. A control bar at the bottom includes buttons for 'resources', 'my notes', 'hear it', 'read it', 'replay', 'pause', 'play', 'back', and 'next'. An inset window titled 'Beauty Basics Top 10 Bundle FAQs' lists various beauty products and questions. Another inset window titled 'My Notes' contains text about using a notepad for notes and saving them to the desktop.

Source: Avon, 2006.

PREDICTIONS



In 2007, organizations will focus even more heavily on higher-fidelity technologies (e.g., video, audio, animations, simulations, avatars and virtual communities) to drive more and more value from online training. "Courseware" alone will no longer be enough.

instructionally rich, complete and highly effective programs, which use all of these technologies, and develop deep levels of mastery in areas, like customer services, sales and soft skills.

In this example, Avon uses simulations and a variety of learning environment features to drive mastery of its beauty program among its field representatives. This program had a dramatic impact on sales and customer satisfaction.

In this example, Scottrade (one of our 2006 Learning Leaders winners) built a highly interactive series of animations designed to train salespeople on how to understand and sell Scottrade's online brokerage service. During the development of this program, Scottrade analyzed existing sales calls in detail to identify precisely what problems agents were having. The program, which delivered several hours of highly animated simulation, increased sales effectiveness (measured by converged leads) by almost 35 percent.

Figure 17: High-Fidelity Mastery Programs Using Video and Simulations

The screenshot displays a software interface for a simulation training program. At the top left is the CompeteNet logo with the tagline 'THE POWER'. The main header area features a video frame showing a man at a computer, with the text 'CUSTOMER SERVICE SIMULATION TRAINING' and the Scottrade logo. Below the header, the interface is divided into several sections:

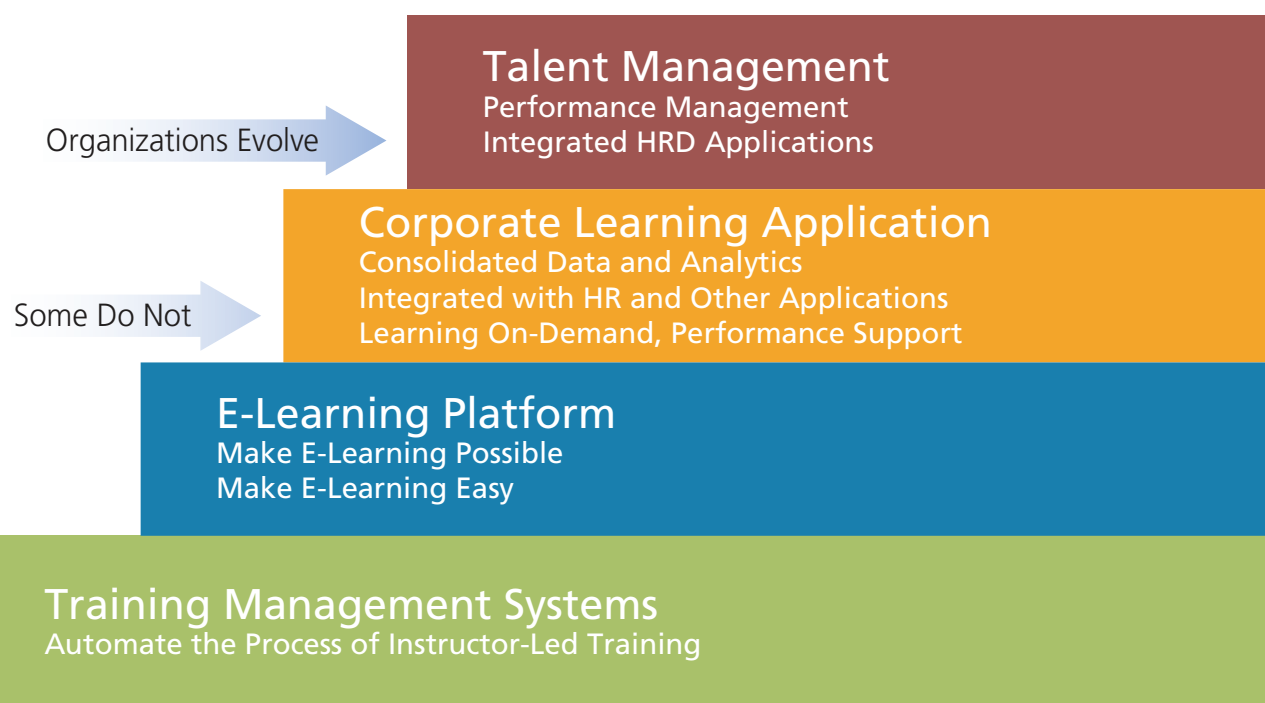
- Control Panel (Left):** Includes a 'Time Remaining' timer set to 15:00, 'Current Topic: Client Meeting', and 'Questions Remaining: 2'. It features a 'Reaction' gauge with a needle pointing to the right, and navigation buttons for back, stop, forward, and pause.
- Support/Feedback (Bottom Left):** A purple box containing the text 'SUPPORT/FEEDBACK' and the email address 'ScottradeSupport@competenet.net'.
- Simulation Video (Right):** A large video window showing a man in a white shirt and tie sitting at a desk in an office, talking on a phone. The Scottrade logo is visible on the wall behind him.

Source: Scottrade, 2006.

10. LMS Market Changes Again

Learning Management Systems continue to be as important and challenging to deal with as ever. As our LMS 2006²² and upcoming LMS 2007²³ reports detail, the LMS market grew significantly in 2006. More than 40 percent of all organizations and more than 70 percent of large enterprises have an LMS and many are still trying to consolidate their multiple systems. The market for LMSs in mid-sized organizations is now exploding, driven largely by the wide range of proven on-demand solutions now available.

Figure 18: LMS Market Evolution



Source: Bersin & Associates, 2006.

²² For more information, *Learning Management Systems 2006: Facts, Practical Analysis, Trends and Vendor Profiles*, Bersin & Associates / Karen O'Leonard and Josh Bersin, January 2006. Available to research members at www.elearningresearch.com or for purchase at www.bersin.com/lms.

²³ This information is based on the current research on the topic of LMS systems for 2007, the report for which is due to be published in Spring 2007. For more details, please visit: www.bersin.com/lms.

PREDICTIONS



In 2007, despite high levels of interest, the adoption of these solutions will be slow. The development of performance management processes takes time – typically, one to two years at least. Even with a new platform, organizations will take several years to test, validate and implement new processes, which can take advantage of integrated performance and learning management tools.

Most LMS vendors grew in 2006: Cornerstone OnDemand, GeoLearning, Learn.com, NetDimensions, Oracle / PeopleSoft, Plateau, Saba, SAP and SumTotal all saw significant growth. Organizations of all sizes now know that learning management systems are a vital part of their training and talent management strategies.

The LMS market evolution is also continuing. While most organizations implement LMSs to manage the administration of training, compliance and e-learning, more and more are now looking to their LMSs to integrate with other HR systems as a talent management platform.

The vendors have responded by aggressively building and buying technology to deliver an integrated solution for performance management, learning and development planning (see Figure 11).

Our research in this area²⁴ indicates that organizations will purchase and see great benefits from integrated learning and performance management systems. While only a small number of companies have implemented such a solution today, we believe that, in 2007, most large LMS buyers will look for a solution that integrates learning and performance management. Nevertheless, the writing is on the wall; the LMS market is converging with the performance and talent management systems market.²⁵

11. Measurement and Analytics Continue to Be a Challenge

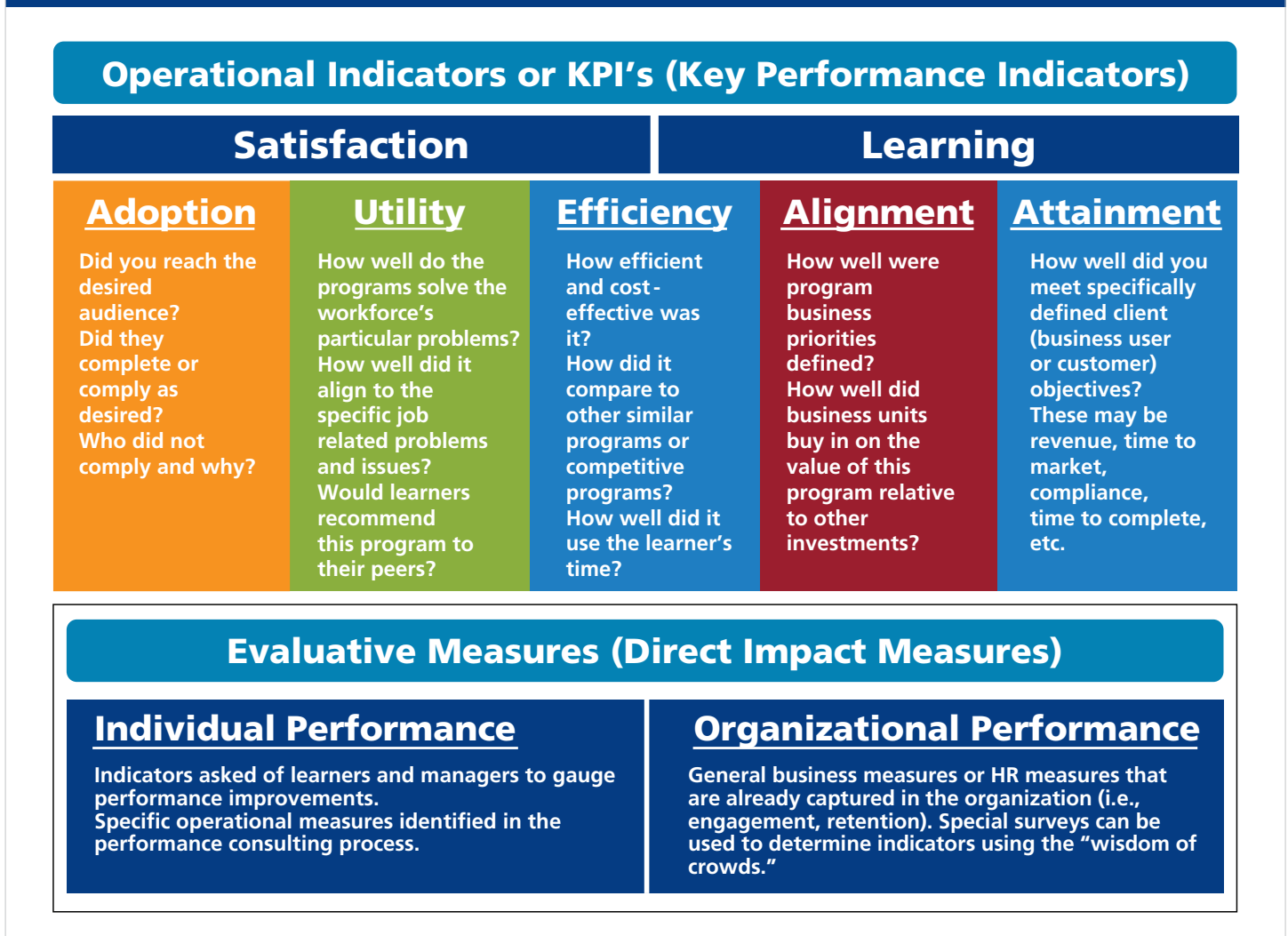
In 2006, we published one of the largest and most difficult research reports we have developed: *High-Impact Learning Measurement*²⁶, a detailed analysis of best practices in the measurement of corporate training. From this research, we found that business-centric measurement approaches (our High-Impact Measurement Framework²⁷ being an example of one

²⁴ For more information, *The Convergence of Learning and Performance Management: Has Talent Management Arrived?*, Bersin & Associates / Josh Bersin, October 2006.

²⁵ Ibid.

²⁶ For more information, please see these reports: (1) *High-Impact Learning Measurement: Best Practices, Models, and Business-Driven Solutions for the Measurement and Evaluation of Corporate Training*, Bersin & Associates / Josh Bersin, November 2006; and, (2) *High-Impact Learning Measurement: State of the Market and Executive Summary*, Bersin & Associates / Josh Bersin, November 2006.

²⁷ Ibid.

Figure 19: Bersin & Associates Impact Measurement Framework® – The Nine Measurement Areas

Source: Bersin & Associates, November 2006.

such approach) are starting to replace the traditional Kirkpatrick approach to training measurement.

Why is measurement becoming more important? As we describe above, the corporate L&D function is getting bigger and more strategic than ever. Organizations expect a business plan for learning, coupled with operational metrics and benchmarks. They want to:

- Understand how L&D is impacting talent; and,
- Measure the impact and effectiveness of their outsourced learning providers.

PREDICTIONS



In 2007, organizations will continue

to focus on improving the measurement of their learning organizations. They will move away from the traditional Kirkpatrick approach and focus on more business-centric models, like our Learning Impact Framework^{®28}.

As organizations focus on developing integrated talent management processes, the demand for data becomes greater than ever.

- Where are the talent gaps?
- Are we filling them?
- What is our cost and time to hire?
- What is the quality of our hires?
- How do high performers succeed?
- How strong is our leadership pipeline?

These critically important questions create demand for measurement processes and data. L&D organizations can benefit tremendously by moving “beyond Kirkpatrick.” We believe that, in 2007, both HR and L&D will begin a whole new set of initiatives to capture data about the current and future state of talent – skills, performance, goals, achievements, staffing needs and much more.

Over time, talent management platform providers will try to solve these problems with integrated reporting solutions. In 2007, however, as many organizations wait for these systems to become available, measurement and analytics will continue to be an in-house process driven by a strong business plan and operational plan for HR.

Summary

2007 will be an exciting time of change in enterprise learning and talent management. The tight labor market, coupled with the increased focus on integrated performance and learning strategies, will force further alignment between training and HR. Learning technologies will evolve, and self-published content and collaboration will become a significant element in enterprise learning solutions. Organizations will continue to evolve toward shared services and struggle to build integrated business plans that incorporate learning across the organization.

²⁸ For more information, please see these reports: (1) *High-Impact Learning Measurement: Best Practices, Models, and Business-Driven Solutions for the Measurement and Evaluation of Corporate Training*, Bersin & Associates / Josh Bersin, November 2006; and, (2) *High-Impact Learning Measurement: State of the Market and Executive Summary*, Bersin & Associates / Josh Bersin, November 2006.

Talent management will become a strategic focus for most large organizations. HR managers and executives will look for ways to further integrate staffing, onboarding, leadership development, succession planning, performance management and compensation. Workforce planning will become increasingly important as critical skills areas are identified.

These changes will create many new career opportunities for specialists, practitioners and executives. We look forward to providing you with the best practices, trends, benchmarks and vendor information to help you and your organization succeed. Thank you for your ongoing support and we look forward to hearing from you.

Come Meet Us in 2007

We look forward to providing you with more practical, analytical and actionable research and advisory services. Our research agenda for 2007 is filled with programs to address all the areas in this report, plus more.

We are expanding our workshop²⁹ and outreach programs³⁰, as well. In addition to several monthly webcasts, in 2007 Bersin & Associates will be delivering ten or more local workshops. These workshops will include:

- **Building the High-Impact Learning Organization**, a two-day workshop that has been highly successful for more than 300 corporations;
- **Implementing Effective Performance and Talent Management Strategies**, a one-day workshop designed for HR and talent management managers to refine and plan their strategies for processes and systems;
- **High-Impact Learning Measurement**, a one-day workshop built on our years of research in the best practices for the measurement and business planning of the L&D function; and,
- **Leadership Development Is Not Leadership Training**, a one-day workshop to help you understand and implement best practices in your organization's leadership development programs, moving your company up the maturity model in building a leadership pipeline.

²⁹ For more information, please visit <http://www.bersin.com/newsletter>.

³⁰ For more information, please visit <http://www.bersin.com/newsevents/webinars.asp>.

Our senior analysts attend every workshop. The workshops offer you a perfect opportunity to immerse yourself in these topics, learn from others and return to your organization refreshed with a clear action plan for improvement. We look forward to meeting with you there.

How to Participate in Our Research Process

You are a vital part of our research process. Every call, email or comment you give us is valuable. If you ever have any questions, findings or best practices you would like to share, please contact us at info@bersin.com or call us at (510) 654-8500.

Our monthly newsletter will be expanding in 2007 with even more free research, insights and analyst perspectives. Also, we have made available our *Learning Organization Assessment*®, a program to help you benchmark your L&D organization against industry best practices and your peer organizations. Through this process, you can directly apply our research to your organization's needs.

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Did you get a lot of valuable information from this report? If you like this research and would like to have access to an entire year of our industry reports, case studies, analyses and bulletins, please become a member of the Bersin & Associates *WhatWorks*® *Enterprise Learning Research Program*. You can browse the research library at <http://www.elearningresearch.com>.

Additional information can be found at: www.bersin.com/membership or by calling Bersin & Associates at (561) 819-6213.

Appendix I: Table of Figures

Figure 1: Training Budgets Increased in 2006	4
Figure 2: Changes in the Training Organization	6
Figure 3: Data Processing Versus IT	7
Figure 4: New Economics of Training	9
Figure 5: Program Areas Receiving the Most Funding / Resources in 2007	11
Figure 6: Corporate Demographics Demand Talent Management	12
Figure 7: Bersin & Associates Leadership Development Maturity Model	13
Figure 8: The Evolution of HR	14
Figure 9: The Talent Management Process	16
Figure 10: The Talent-Driven Learning Organization	18
Figure 11: LMS Convergence with Performance Management	19
Figure 12: 2006 Maturing of e-Learning	21
Figure 13: The Four Stages of e-Learning	22
Figure 14: Three Eras of e-Learning	25
Figure 15: Evolution of e-Learning Approaches	28
Figure 16: High-Fidelity, Mastery Programs Using Animation and Simulations	29
Figure 17: High-Fidelity Mastery Programs Using Video and Simulations	30
Figure 18: LMS Market Evolution	31
Figure 19: Bersin & Associates Impact Measurement Framework – The Nine Measurement Areas	33



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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