



Enterprise Learning, Recruiting and Talent Management 2009

Predictions for the Coming Year

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This Research

Every year, we try to help our research members plan for the coming year by providing our predictions. Last year, we predicted tremendous expansion in the talent management market, along with an evolution of learning and the learning management systems (LMS) market toward more collaborative solutions. These trends turned out to be true. But we could not predict the tremendous economic downturn that we are experiencing, which somewhat affects our predictions for 2009. Trends will continue, but some new ones are emerging.

One final note, in 2009 we will be launching our new research on sourcing and recruiting, as well as our ongoing research on corporate social networking – so, our focus areas have expanded.

1. Budget Cuts Force Restructuring of HR and L&D

Never before have we seen such interest in restructuring within corporations – and within the HR, and learning and development (L&D) functions.



Source: Bersin & Associates, 2008.

Almost one-third of all organizations are undergoing major changes in executive leadership (e.g., Merrill Lynch, Citigroup, Countrywide, Yahoo and many more) and more than one-fourth are going through major restructuring. Today, “cutting costs” has risen to the number one business issue on the minds of our HR and L&D leaders. This has resulted in precisely what we predicted last year – a focus on the centralization of HR and L&D functions to reduce costs, and integrate training and capability development with talent management.

PREDICTIONS



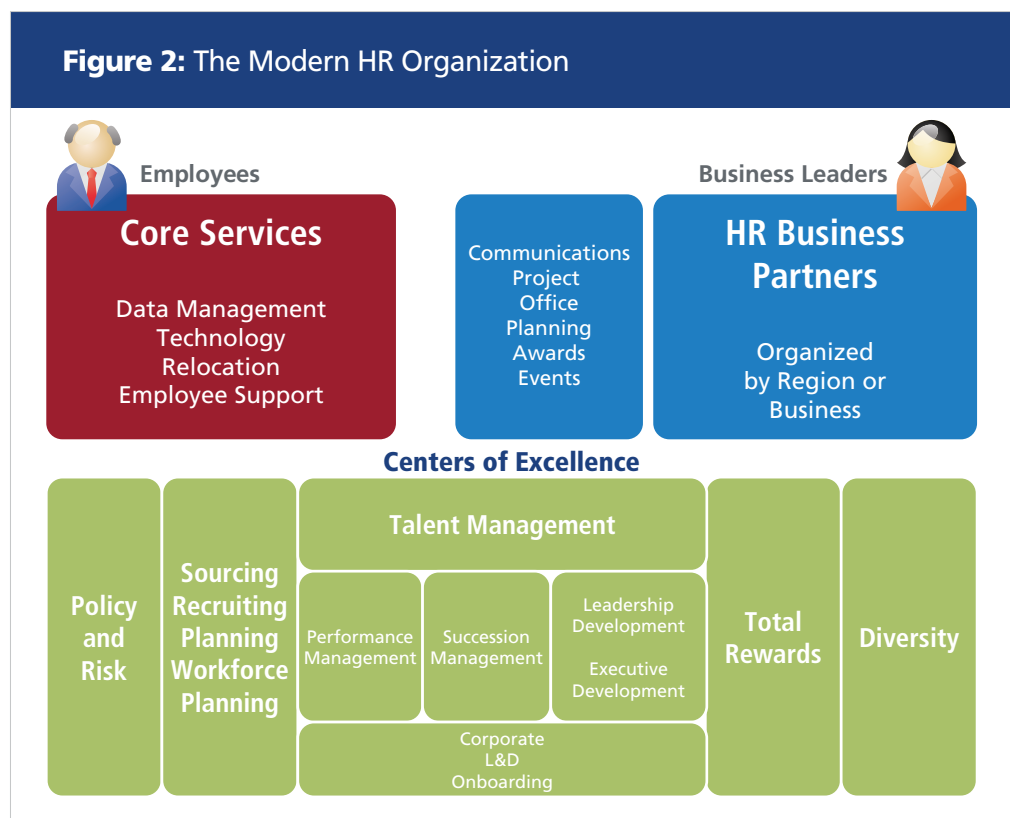
Organizations will focus on restructuring HR and L&D to increase efficiency and business alignment.

To top off this, the corporate training market shrunk by nearly 17 percent in 2008 – the largest drop since we started doing business. This cut has resulted in layoffs and the dramatic reduction in the number of senior positions in our industry. We expect this trend to continue somewhat through 2009.

Some keys to better deal with this trend include the following.

- First, segment your company’s transactional HR processes from the strategic talent management processes – and outsource as many transactional processes as you can.
- Second, build an integrated approach to talent management, capability development, leadership development and corporate training – which allows an end-to-end system for managing people.
- Third, rationalize your L&D spending by driving more centralization and standards.
- Fourth, selectively implement HR systems – but save the replacement of older systems for a better day.
- Fifth, invest now in collaborative and social networking solutions that save money in travel and empower the workforce during transformations.

Consider outsourcing the functions in red in Figure 2.



Source: Bersin & Associates, 2008.

2. L&D Budgets Take a Cut, Forcing Organizations to Refocus Training Spending

Our trend research clearly shows that corporate learning is going to absorb much of the budget cuts in corporate HR. Over the last five years, L&D spending has steadily increased (since the 2000 recession). This naturally results in a proliferation of learning programs being developed and delivered by business units, sales and customer service, manufacturing locations, and corporate HR.

In 2009, we believe this trend will force our clients to look hard at implementing what we call the “High-Impact Learning Organization® model¹,” which creates a “federated²” approach to L&D. Some

¹ 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.

² A “federated model” has a small core team that manages some technology and corporate programs, and empowers business and functional units to run their own training programs.

PREDICTIONS



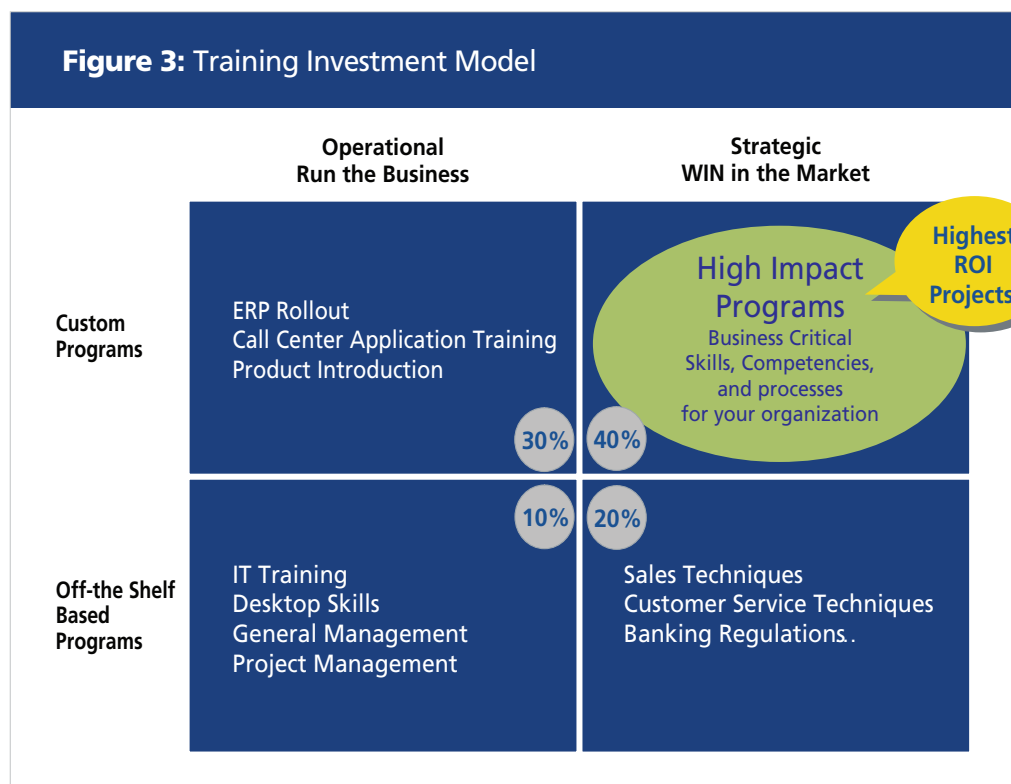
Corporate training will

focus on recentralizing many functions, reducing overlapping programs, concentrating on key strategic programs and developing standards to increase efficiency.

companies will rebrand their central training groups as corporate universities, but we believe this does not apply in most situations. In this new world, the corporate L&D leader (*and yes there **still** must be a chief learning officer or head of organizational learning*) will have to bring people together – and force the training groups from different business areas to give up some responsibility for LMS technology, tools, content development and locally developed programs.

Right now, companies are immediately trimming staff – and will likely cut most non-strategic training programs, reduce travel, and rely much more heavily on webcasting and virtual classrooms. One of the best tools we ever developed to help with this process is our “Training Investment Model³” (see Figure 3). We strongly recommend that you spend some time considering which programs should be in the upper right quadrant of this Model to help decide what can be outsourced, relegated to e-learning or cut altogether.

Figure 3: Training Investment Model



Source: Bersin & Associates, 2008.

³ 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.

Remember one important lesson – do not allow your organization to cut these strategic programs which, in many cases, include your strategic leadership development investments. During the 2000 recession, we talked with many companies that “blew up” their entire training departments. Afterward, they found that it took three or more years to rebuild their internal expertise and strategic capabilities.

3. Leadership, Career and Capability Management Emerge as Keys to Success in 2009 and beyond

PREDICTIONS




Organizations will continue

to focus on building leadership competency models and new, focused capability models as part of their talent management strategies.

Surprisingly, one of the biggest trends we see in talent management is the need to build capability models (both for leadership roles, as well as for line operational roles). The word “capability” is rapidly replacing “competency” in this usage because it is a broader, easier concept to understand.


Leadership, career and capability management are all different forms of the same thing – creating clear, simple models that describe the core needs of the critical roles in your company. While this may seem like staff work, it is more important now than ever. These models enable organizations to rapidly go through the restructuring and building of the leadership pipeline needed.

Case in Point: Major Pharmaceutical Company

For example, a major pharmaceutical company is currently going through a restructuring and downsizing. This company has grown steadily for many years, but did not have a well-defined leadership and management culture. The new vice president of talent management realized that in order to restructure, create leadership development for the changes that take place and decide who to let go, the organization needed a set of models. The new leadership model (developed in less than 60 days) has enabled this company to bring together leaders, create plans for the new organization structure and start identifying development gaps throughout the organization. 

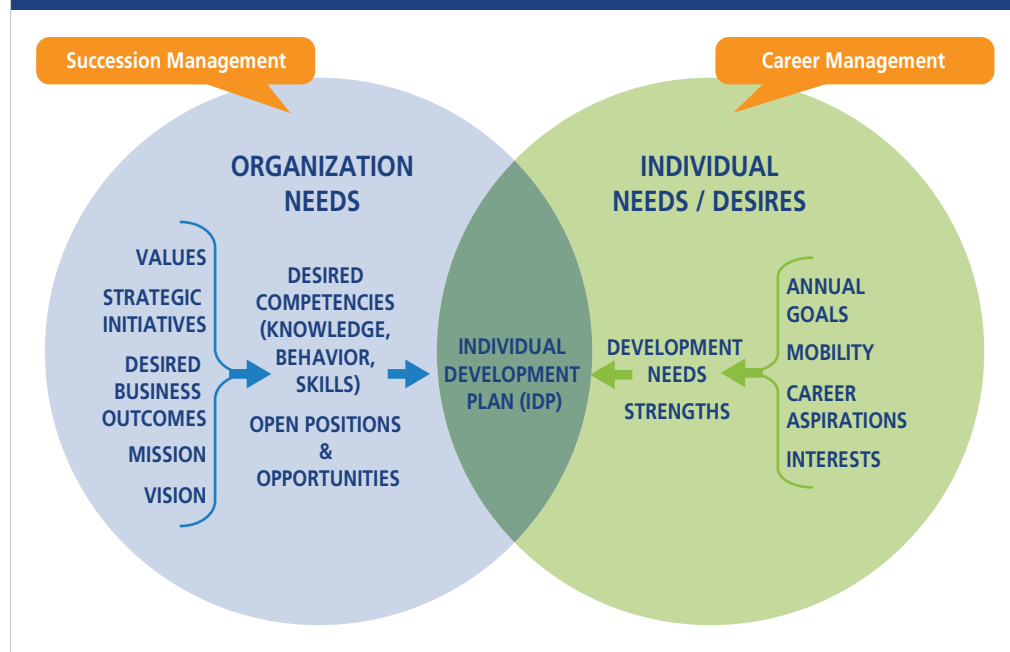
Case in Point: Accenture

One of the world's most successful consulting firms, Accenture, is developing a global capability model that will enable it to:

- Better develop specialized skills among Generation-X and Generation-Y employees (see Figure 6, later in this report);
- Maintain its leadership pipeline; and,
- Better plan and deploy resources for critical projects. 

Nearly every company we talk with is working on this now – and we see this as a highly strategic function. Developing a capability or competency model is not just “organizational development work” – it should force you to understand your organization's core competencies, the business itself and the keys to success for each major function.

Figure 4: The Two Sides of Capability Management



Source: Bersin & Associates, 2008.

4. Succession Management Looms as Critical Issue for 2009

PREDICTIONS



Organizations will focus on

succession management at all levels to help build a dynamic process for restructuring and organizational transformation.

As we read about executive departures, acquisitions and downsizing, one of the big topics that arises is the need for succession management – at all levels of the organization. Succession management (as shown in Figure 4) is really the “flip side” of career management. Once you know what individuals want, you must match that with what the organization needs. When a major business change occurs, these succession plans give you the tools to rapidly identify the people you need.

Look at the biggest business upsets this year – Merrill Lynch, Citigroup, Bear Stearns, Yahoo and others. In almost every case, there was a senior executive departure, followed by a slow and difficult process of finding new leaders. *This does not have to happen.* Talent-driven companies (like Goldman Sachs, IBM and Cisco) have thrived despite the economic climate. They do this by maintaining a steady investment in the leadership development and succession management processes.

In early 2009, we will be releasing a major research study on executive and operational succession management. Unfortunately, our findings show that most companies have not yet instituted a complete process that covers all of the critical roles in their organizations (*and many still lack executive succession management*). In 2009, organizations will focus their talent management energies on taking advantage of their capability models to build succession management processes across their organizations. Watch for this topic to be of great interest among HR leaders.

Figure 5: Bersin & Associates Succession Management Maturity Model®



Source: Bersin & Associates, 2008.

5. Needs of the Multigenerational Workforce Become Clearer

PREDICTIONS



Organizations will more clearly understand the needs of entry-level Generation-Y workers and aspiring Generation-X leaders as part of their HR and L&D strategies.

Much (*perhaps too much*) has been written about the different learning, attitudinal and technology needs of younger workers. While most baby boomers may delay retirement due to the stock market drop, organizations are still heavily focused on finding ways to attract, motivate and develop Generation-X and Generation-Y workers. (See Figure 6.) In fact, one L&D executive told me that,

"... We understand the Generation-Y workers well – they are the YouTube, Twitter, Google types...."

We need to focus on the Generation-X workers – those who are rapidly moving into middle management, but do not yet have the experience and seniority of baby boomers.

Figure 6: The Multigenerational Workforce and Different Learning Needs

| Demographic Group | Year Born (age range) | Values, Traits, Characteristics | Learning Styles |
|--|--------------------------------|---|--|
| Traditionalists | 1928-1945 (63+ years old) | Hierarchical, loyal to institutions, motivated by financial rewards and security | Traditional, instructor-led, reading, homework <i>"teach me"</i> |
| Baby Boomers | 1946-1964 (44-62 years old) | Idealistic, competitive, striving to achieve | Traditional, group effort, expert-driven, self-driven <i>"lead me to information"</i> |
| Generation X | 1965-1980 (28-43 years old) | Self-reliant, willing to change rules, tribal and community-oriented | Team-driven, collaborative, "wisdom of crowds," peer-to-peer <i>"connect me to people"</i> |
| Generation Y (also known as "Millennials") | 1981-2000 (8-27 years old) | Confident, impatient, socially conscious, family-centric, technology-savvy, want to "build their own" | Give context and meaning, make it fun, search and explore, entertain me <i>"connect me to everything"</i> |

Source: Bersin & Associates, 2008.

We have now entered the “Obama Generation.” Diversity is becoming a mainstream topic and, throughout our society, we are “turning over the reigns” of our organizations to people in their 30s and 40s. For baby-boomer leaders, 2009 will begin a steady focus on developing and empowering the Generation-X and Generation-Y workers to succeed. Our research shows that more than 70 percent of organizations feel they are “behind in meeting the learning and information needs of younger workers” – fueling the need for a focus on social networking and what we call “learning on-demand” in 2009.

Younger workers are entering the workforce with more idealistic goals – seeking meaningful work, collaborative work environments and a place to grow – not necessarily a place to build a career. Young workers are expected to change jobs 12 to 15 times during their careers and even change careers several times. In the middle of a business downturn, we must find new forms of recruiting, management and training that attract this new workforce, and create an attractive environment in which they can grow. Much of the research on the “Obama-effect” shows that young people today are more interested in public service (up 40 percent from 10 years ago) than ever.

We will be studying pay for performance in 2009. We expect to see that, while traditional “total rewards” programs are still very valuable, today’s workforce is more interested in opportunities to contribute in broader ways.

6. The Talent Management Systems Market Grows – But Consolidates

PREDICTIONS



The talent management

systems market will remain hot, but growth will be slow and some vendors will be acquired.

One of the most exciting markets in our industry has been the emergence of integrated talent management software. Our research shows that the definition of talent management suites has quickly evolved to include applicant tracking and recruiting, performance management, succession management, career management, and compensation.⁴ A pretty amazing amount of technology is now available in an integrated package from more than 20 different companies.

⁴ For more information, *Talent Management Suites: Market Realities, Implementation Experiences and Vendor Profiles*, Bersin & Associates / Leighanne Levensaler, January 2008. Available to research members at www.bersin.com/library or for purchase at www.bersin.com/tmsuites.

While large corporations are far from ready to implement the end-to-end solution, small to mid-sized organizations can benefit from this wave immediately. In fact, we forecast this market to grow to more than \$2.1 billion in software and services by 2011.

As the market has matured, however, the number of players will start to decline. Already the cost to enter has become very high, and some of the companies with less available capital are looking for acquirers. By the end of 2009, we believe there will be fewer total vendors and those major players will all be more than \$100 million in size. Much of the growth in this market is in the enterprise and small enterprise segments (organizations with 10,000 or fewer employees) in which there is still tremendous opportunity for many successful players.

7. The LMS Marketplace Will Grow – But Shift to Talent Management and Learning 2.0

PREDICTIONS



The LMS market will

grow slowly and shift toward talent management, Web 2.0 and portal-based technologies.

The learning management systems market (which is older and more established than the talent management systems market) will continue to grow separately. The level of functionality needed in an LMS is still so complex that talent management software vendors cannot hope to build it from scratch. In fact, the LMS market continues to be comparable in size to the talent management systems market, but growing at about two-thirds the rate.

Most companies are in their second or third phase of LMS implementation, and most large organizations are now focusing heavily on consolidating their LMSs to one centralized system. The Software-as-a-Service (SaaS) model has made it easy for companies of any size to implement an LMS (*even ADP is now selling LMS technology to tiny companies*).

Unfortunately for LMS vendors' financial statements, the LMS market is once again reinventing itself in two different directions. On one hand, organizations want the LMS to bolt onto the corporate talent management software system, so that all performance and development plans can directly access the organization's existing learning catalog. This has led every major LMS vendor to build out its own performance and talent management software.

Figure 7: Evolution of the LMS Market**Increase in Learning 2.0 Capabilities**

Tools, LCMS, Content Integration, Analytics, Domain mgt,
 Collaboration Systems, Publishing, Performance Support
 Search, Web-services, Portals, Self-publishing,
 Communities of practice, blogs, wikis, online video...



Today's LMS Systems

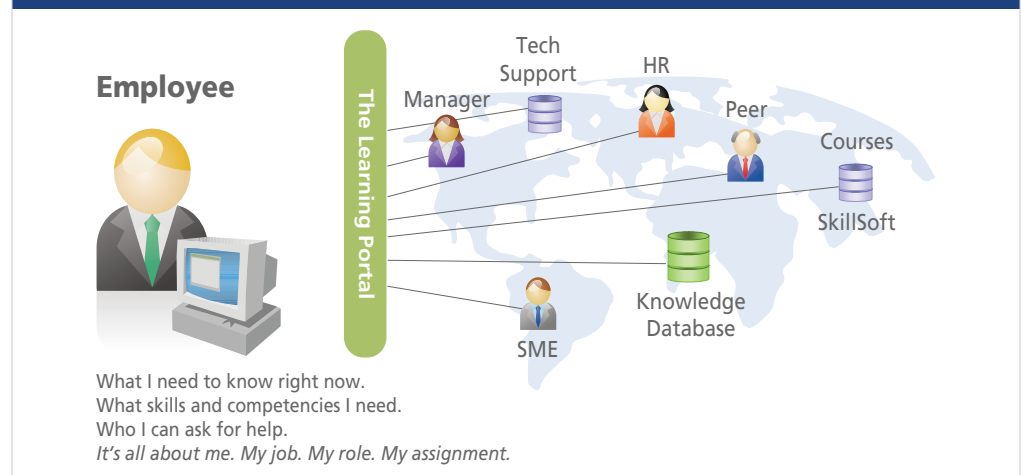
Increase in Talent Management Capabilities

Employee profiles, job descriptions, performance management,
 succession planning, HIPO selection, manager/employee portals,
 assessment, recruiting, applicant tracking, internal recruiting,
 compensation, workforce analysis, career planning, candidate
 selection, competency analysis, skills-gap analysis,
 integration or building of HRMS, interface to external data sources

Source: Bersin & Associates, 2008.

On the other hand, organizations now realize that the LMS will never be a “destination location” for their employees. In fact, logging into an LMS is a pretty boring and daunting experience. In most companies, the lucky user of the LMS is exposed to hundreds (*if not thousands*) of training programs with little guidance about what to take.

Rather, what organizations really want is a learning or knowledge “portal.” As shown in Figure 8, these portals present a wide variety of information and tools in the context of an employee’s job or role. The

Figure 8: Learning Portals

Source: Bersin & Associates, 2008.

LMS (which schedules and manages courses) sits in the background like yesterday's mainframe.

What this means for the learning management systems market is that all LMS vendors must rapidly adopt the "portal-based" architecture or jump head first into the talent management systems market. LMSs still remain one of the most important "bread-and-butter" applications of HR (*you cannot really run a training department without one*), but they are moving into the background.

In 2009, the LMS market will remain important as a mission-critical application for corporate learning, customer training and extended enterprise training. At the same time, this market is rapidly changing, with every vendor moving in one of two directions – either toward talent management or to a more portal-based solution, which includes social networking and collaborative learning features.

PREDICTIONS



HR and L&D organizations

will move beyond talk – and will implement pilot and production social networking and collaboration solutions. They will do this in partnership with IT and other functional groups.

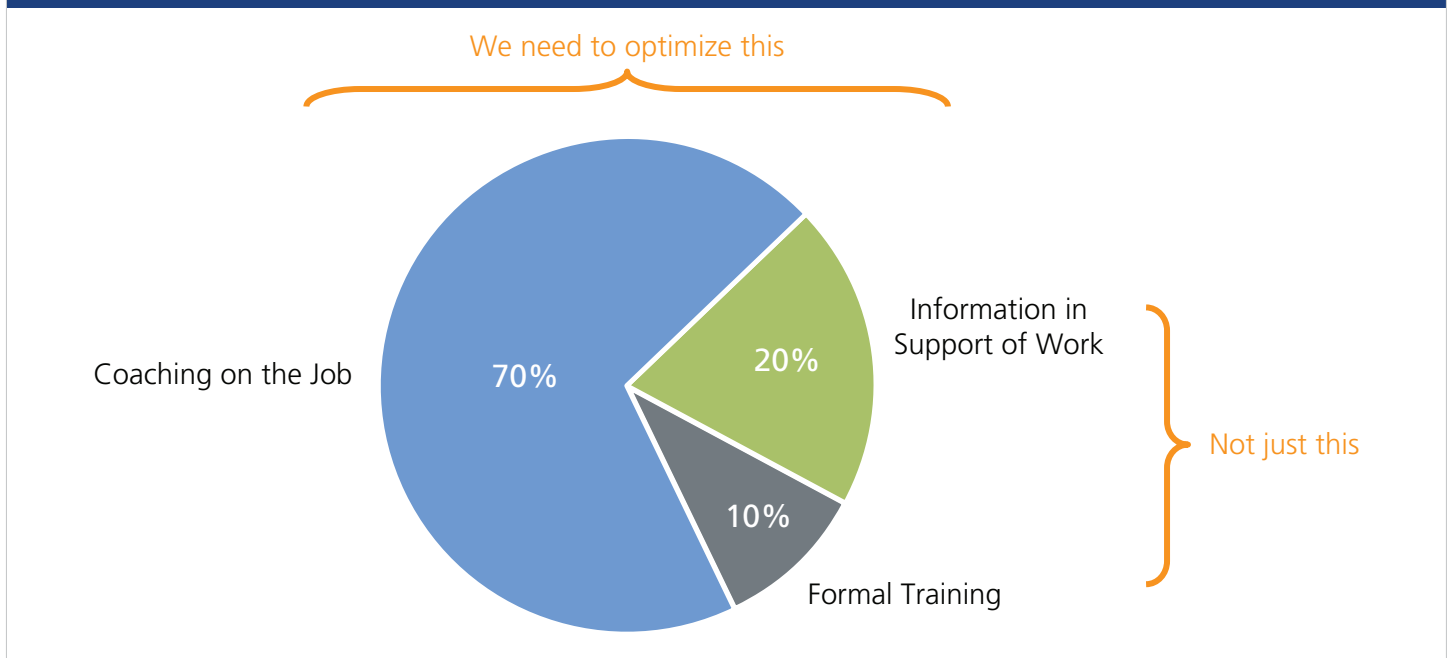
8. Social Networking and Learning 2.0 Will Arrive

In this area, there is a revolution happening. We started studying the corporate social networking market in detail in 2008 and found:

- More than 40 vendors providing highly differentiated software platforms;
- A market of more than \$250 million that is growing at more than 70 percent; and,
- A tremendous demand for such solutions within HR and L&D.

For internal applications (e.g., onboarding, communities of practice, informal learning, even leadership development), the days of social networking have arrived. While more than 60 percent of our research members feel they have made little or no progress on their social networking strategies, more than 80 percent tell us that "access to information" and "access to other people" are two of the biggest problems their companies face.⁵

⁵ For more information, *Enterprise Social Software 2009: Facts, Practical Analysis, Trends and Provider Profiles*, Bersin & Associates / David Mallon, September 2008. Available to research members at www.bersin.com/library or for purchase at www.bersin.com/socialsoftware.

Figure 9: How Real Corporate Learning Occurs

Source: Bersin & Associates, 2008.

We all know that formal training may accommodate 10 percent of the development needs of workers. How do we harness the informal and coaching needs of employees without spending millions of dollars on knowledge management projects (*most of which fail*)? The answer is to unleash the power of collective knowledge within companies.

In 2009, HR and L&D (*which have been laggards in this area*) will have no choice. Organizations as conservative as midwestern banks are now telling us that,

"... Our employees are demanding access to more social software when they join our company...."

Social networking software and informal learning tools will become a major part of your work environment in 2009.

Unfortunately, as our *High-Impact Learning Organization*⁶ research points out, this trend is going to change your career as a recruiter, instructional designer, OD professional or trainer. Your new job will be as

⁶ 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.

an “information architect” or “community facilitator” – and, rather than “deliver” information, you will be asked to “catalog and unleash” it. Just as we wrote about the revolution in “rapid e-learning” in the early 2000s (putting PowerPoint onto the web), now we face a new revolution in all forms of learning and collaboration – *give me a place to go and get out of the way!*

Our research shows that fewer than five percent of HR and L&D organizations have a clear social networking strategy. We believe, however, that in 2009 this number will triple or more – as nearly every HR software vendor (and many non-HR software vendors) promote, demonstrate and deliver integrated social networking into our corporate applications. In addition, this says nothing of the fact that most young people entering our corporations come with Facebook, LinkedIn, Twitter and multiple instant messaging accounts already established (*and filled with hundreds of “friends”*).

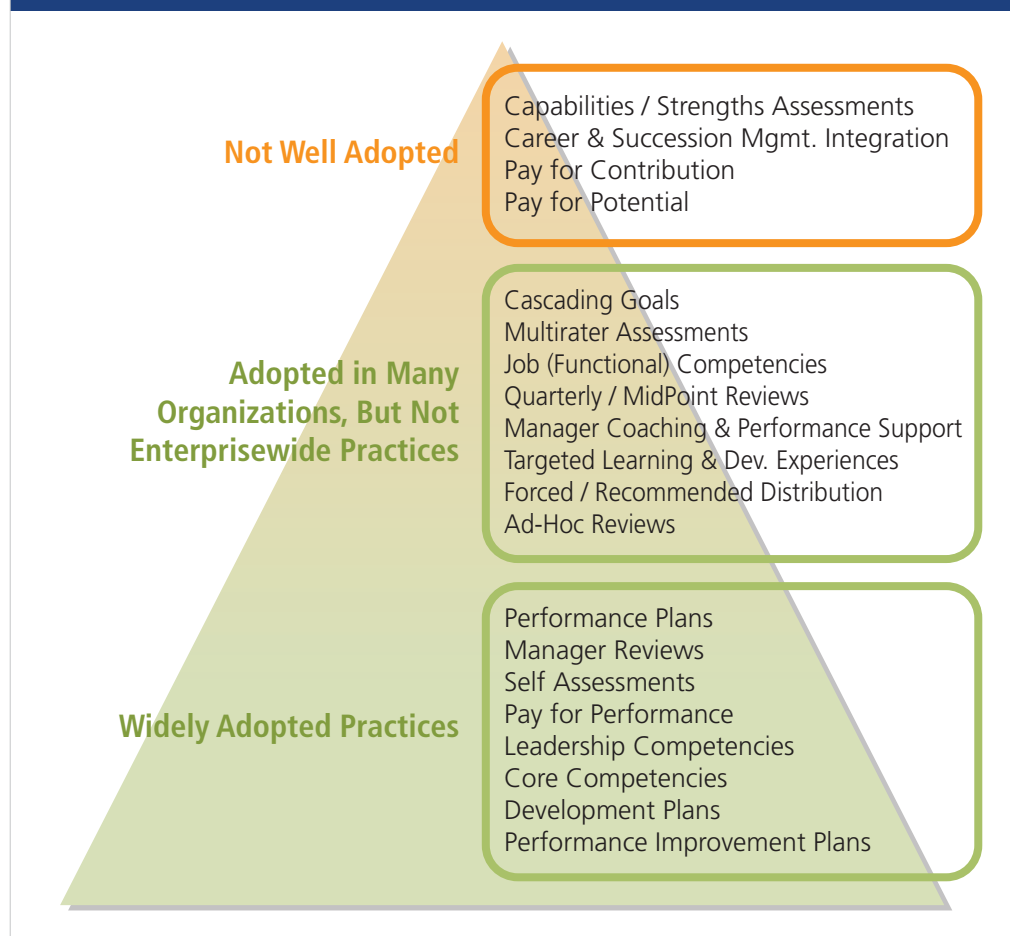
Some companies have jumped into this head-first (e.g., General Electric, IBM, 3M and others) with a variety of tools – if you have not read our *Social Networks for Enterprise Learning and Talent Management: A Primer*⁷, you should.

9. The Heavy Focus on Performance Management Will Continue

In 2008 (*as we predicted*), the interest in performance management was very high – and we expect this to continue in 2009. Our exciting research, *The Essentials of Performance Management*⁸, shows that most companies are heavily focusing on tweaking their existing processes and implementing software.

⁷ For more information, *Social Networks for Enterprise Learning and Talent Management: A Primer*, Bersin & Associates / David Mallon, June 2008. Available to research members at www.bersin.com/library.

⁸ For more information, please see these two reports: (1) *The Essential Guide to Performance Management Practices, Part 1*, Bersin & Associates / Leighanne Levensaler, October 2008; and, (2) *The Essential Guide to Employee Performance Management Systems, Part 2*, Bersin & Associates / Leighanne Levensaler, October 2008. Available to research members at www.bersin.com/library or for purchase at www.bersin.com/perfmgt.

Figure 10: Performance Management Processes under Continuous Review

Source: Bersin & Associates, 2008.

PREDICTIONS



Organizations will continue

to tweak, improve and advance their performance management processes to build culture-specific solutions that address their own urgent business needs.

Most of our research shows that implementing a process (any process) and automating it drives tremendous returns on investment. The days of “performance appraisal” forms are now over and, in 2009, nearly every major company will focus on automating this process.

Our research shows that, while ranking, rating and calibration sessions continue to be vital parts of this process, the real value of performance management is in the coaching and development areas. Approximately 60 percent of organizations tell us that they focus on coaching and development (versus competitive assessment), and these companies are generating 20 percent to 30 percent higher returns from the process.

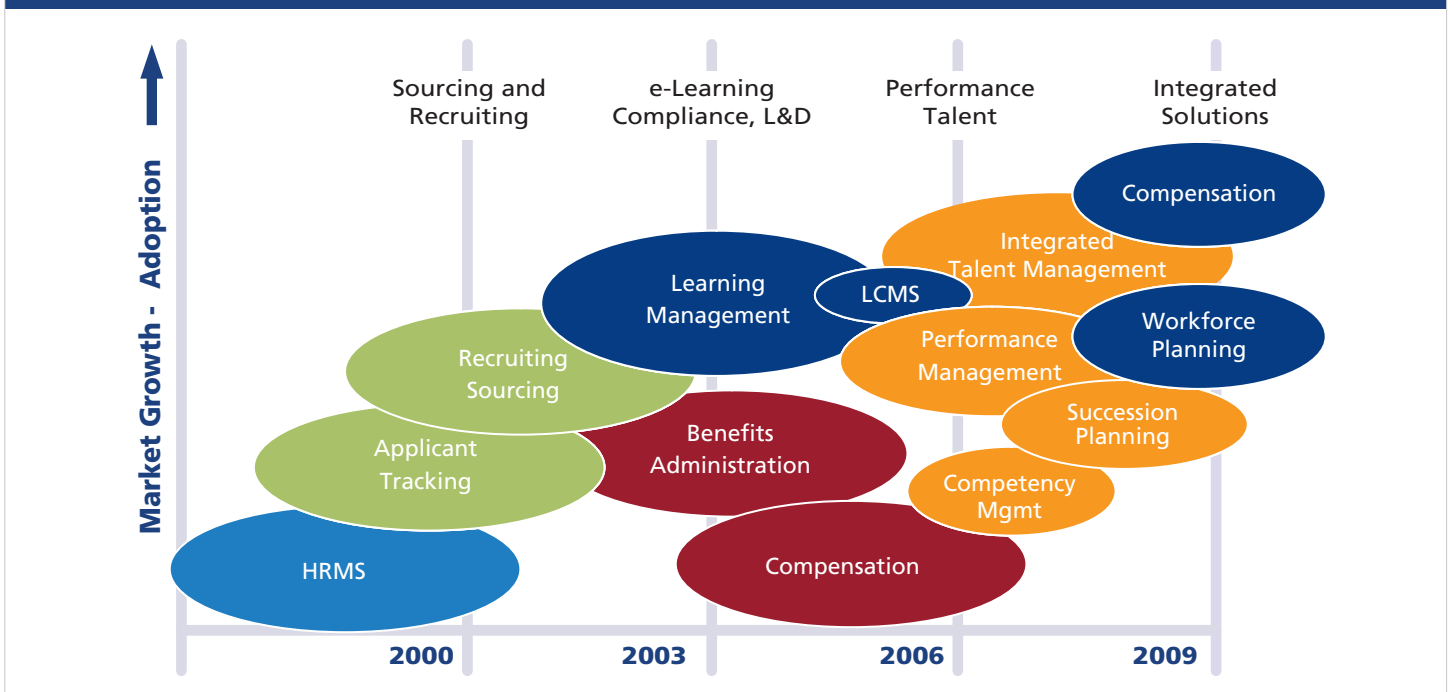
In general, we think this market will continue to be critically important, particularly as organizations go through downsizing and restructuring. Rather than focus so heavily on the rating and ranking process, however,

we believe the advent of integrated compensation systems will lead talent management professionals to start looking hard at pay-for-performance and total-rewards programs that can now link to the performance management systems which they have implemented. Expect this segment to become more important in 2009.

In addition, we believe a true market for integrated workforce planning systems will emerge in the coming year. One of the biggest benefits of a performance management process is the ability for line managers and business executives to make faster, more accurate decisions about people. This means planning for the future, and making quick decisions when a merger or acquisition takes place. In addition, retiring baby boomers still loom as a major challenge. Integrated workforce planning (*far more than just headcount analysis and open requisitions*) will start to emerge as a major new area of focus for talent managers and technology vendors.

Ultimately, we believe the systems market has shifted from one of “automating existing processes” to “enabling more integrated processes” – and, in the next several years, will shift toward “providing predictive and actionable information” to enable companies to operate more effectively.

Figure 11: Continued Evolution of HR Systems



Source: Bersin & Associates, 2008.

10. New Recruitment Tools and Strategies Will Replace the Résumé

PREDICTIONS



Electronic
résumés,

social networks, advanced search and online assessments will further change the role of the recruiter to make talent acquisition more scientific and efficient.

Recruiting never goes away, even in bad times. Many organizations face turnover rates of 20 percent to 30 percent and some as high as 100 percent (retail). So, while recruiters and sourcers are a little nervous about their jobs today, they are not going away in 2009.

What is changing, however, is the way we source, recruit and assess candidates. Job boards (*more than 80 now exist*) and job-matching tools (*many of which look more like social networking websites than traditional résumé databases*) now enable sourcers and recruiters to find people, understand their backgrounds and match candidates to job openings. The traditional “résumé-based” model is quickly going away. One recruiting manager told us,

“I trust information on LinkedIn far more than what’s in a résumé, because I know the individual won’t lie to his friends and colleagues.”

These new solutions enable recruiters to hire faster, at lower cost and with higher-quality results. The traditional applicant tracking system (ATS), which has evolved into a workflow system for internal recruiting organizations, will become less important as sourcers and recruiters find new and more exciting tools on the Internet.

In addition, once an individual joins a company, he / she shifts from becoming a member of an external social network to joining the company’s internal social network (*hopefully being managed by a talent management system*), so the job profile becomes richer, more extensive and more powerful for onboarding, development and succession management. The day of the “electronic me” is coming closer and closer.

Finally, “the Business of Talent” Will Be More Important Than Ever

Let me conclude with a critically important trend that will become more important than ever in 2009 – the need for all HR and L&D professionals to be businesspeople first, and HR, OD or recruiting people second. The organizations we serve (*whether they are profit-making businesses, nonprofits or government agencies*) are undergoing tremendous stress. Products and services are rapidly becoming obsolete; consumer demand (and tax revenue) is slowing and shifting; healthcare costs are higher than ever; and, we are managing a diverse workforce with both excited young people and aging baby boomers.

We are going to be asked to downsize, restructure, train people more quickly and rapidly build leadership. Organizations are more focused on individual and organizational performance than ever. In the middle of this, change is at an all-time high.

As we often say, “... there is no business strategy without a talent strategy.” Your role is to think like a businessperson – but act with the expertise, savvy and confidence of an HR, L&D or recruiting professional. Your skills and expertise will be in great demand in the coming year – but make sure these skills are focused and relevant to the immediate project at hand.

In many ways, a tough economy is the best thing that can happen to a support function, like HR and training – it forces us to rethink how we do things and make sure we are adding value in the most efficient, strategic way. We recommend that everyone read the business press, stay close to your company’s and industry’s specific business strategies, and be ready to make some hard decisions. Out of this downturn will come some of the most exciting and innovative business solutions in “the business of talent.” This is your chance to take the lead and we will be here to help you.



Josh Bersin

CEO, Bersin & Associates

Our Goals for 2009

As always, our mission is to identify the trends, best practices and benchmarks that help organizations drive business performance through their talent and learning programs. We have plans to launch several significant new research offerings to help you drive even greater business value, communicate more clearly with business leaders, and help business leaders understand their important roles in learning and talent management.

Our new blogs (now organized by analyst) allows us to give you current and timely perspectives in each major subject area – in a way that is relevant and actionable for you. Our analysts continuously examine how the economy and industry-specific business conditions affect best practices in their areas of expertise.

Come Visit with Us in 2009

In 2009, we will be looking at new ways to bring research and proven best practices to your organization. In particular, we will be hosting our second annual research conference, *IMPACT 2009: The Business of Talent®*. More than 325 senior executives attended the 2008 sold-out conference; we hope to see you at our next event.

Our workshops and advisory services offer a variety of valuable benefits to guide decisions and strategies in all areas of talent management, including Learning 2.0, leadership development, succession management and much more.

Research Membership

Research members have access to more than 10,000 pages of research, case studies, analyses and bulletins. Members also have access to advisory services, analyst guidance, and special events and workshops. You can learn more by going to www.berstin.com/membership or calling us at (561) 455-0622.

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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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About This Research

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