Strategic Planning Assumptions (May 09)

#1: In 2009, more than 75% of training budgets in "EMEA" will be reduced by at least 20%.

Key Findings: For some time now L&D managers have been gaining more visibility and clout as a consequence of the migration of IT Training from IT to L&D. However, many L&D Managers remain tactically focused on legacy projects that are not contributing adequate value. While such commitments were "below the radar" in an "up" economy, that is no longer the case. As the problems in the financial sector have "morphed" to the economy in general, organisations are focusing on survivability – and only those skills initiatives that are similarly focused will retain traction. Without accountability and survivability alignment, L&D will face budget cuts as the economy gets even tougher.

Market Implications: L&D Managers who focus on skills issues that do not represent value will be let go and will not be replaced. Instead, these companies will lose a large proportion of the L&D function until the economy rebounds. As a supplier to such organisations, Training Providers will lose business opportunities – even if it is already contracted

Recommendations: Training Providers should rethink their value propositions to clients and ensure that they are adequately representing the value of the intervention within client feedback. You can't control the way in which your clients use this information – although you can influence it – but providing them with the data will empower them to build a "value case" (as opposed to a cost case) to their management. Building stronger relationships with key stakeholders in the business will minimize exposure if L&D is downsized. At the same time, the market for managed services will increase as organisations release their own staff.

Discussion - Disagree 0, Agree 8

Why/Why Not?

- Experience
- Both from an internal and an external perspective, that is, L&D and Training
- Training is not core to the customer's business

Our Recommendations

- Align training programs and services with business outcomes
- Training providers must demonstrate value and ROI

#2: In 2009, the proportion of the L&D budget that is applied to Learning Technologies (using IT to transfer skills) will increase by will increase by at least 30% in over 60% of cases.

Key Findings: The pressure is on most L&D departments to deliver "more for less"; and the only way in which they can do that is to increase the proportion of their budget devoted to "learning technologies". NB e-Learning is a "learning technologies"; but "learning technologies" comprise far more than e-Learning.

Market Implications: Companies that over-rely on classroom revenues will be over-exposed in the down-turn and need to validate their value proposition with key clients to assess whether their position is sustainable.

Recommendations: Carry out a review to determine what your current delivery mix is and what you want it to be by the end of each of the next three years – and then set the tactics to deliver that mix.

Agree – All

Discussion

- Questions: Percentage value? At expense of? Today's evidence?
- Need to be aware of what future customers want
- Train existing resource
- Gain buy-in from top
- Marketing – convince customers to make the change

#3: Through 2009/10, transactional short-term purchase will account for over 90% of buying decisions by volume and 75% by value.

Key Findings: L&D managers use different sourcing strategies depending on the environment in which they operate and the expectations of both their stakeholders and the procurement department. In the last six months there has been a significant trend towards transactional purchases and this in turn reflects the average value of the sales transaction.

Market Implications: The great benefit of a direct sales force, over, for example, telesales, is that you can better understand the client's needs and can be more proactive in driving business. But a direct sales force is an expensive beast, and the impact of smaller value transactions and greater discounting (inevitable in a recession) will make it even more critical to clearly assess sales force productivity.

Recommendations: Maintain a constant review of sales force performance and be ready to conduct performance reviews on members of the team that aren't contributing. Ensure that the targets that are set are realistic and ensure that the sales force takes ownership of the numbers.

No discussion recorded

#4: The average value of the sales transaction will continue to decline through 2009/10 and will not recover to 2007 levels until 2013 (in real terms).

Key Findings: This SPA is a direct consequence of the trend to transactional procurement decisions and has a significant impact on direct sales operations.

Market Implications: The trend to lower value transactions should mean that decisions are more constant throughout the year and that the "Hockey-stick effect" (a high percentage of the business in the last quarter) is reduced.

Recommendations: Use a best case/ worst case forecasting methodology over the full year and ensure that any excessive exposure in the last quarter is fully covered.

Discussion - Disagree 5, Agree 3

Why/Why Not?

- People won't commit to long-term spend
- Projects still demand appropriate training
- Based on recent experience
- Modify behaviour based on market conditions

Recommendations

- Diversification, for example, consultative approach
- Opportunity to grow transactional business

#5: By 2011, the content providers (e.g. Microsoft, Cisco, CompTIA et al) will have reduced the number of providers in their training partner programmes by 30%.

Key Findings: When volumes are reduced issues of "partner consolidation" will become paramount and the content providers won't want to support organisations that aren't contributing significantly to their volumes!

Market Implications: Most providers now have some sort of tiering/ layers to recognise those organisations that are selling most of their product; make sure you're in the highest tier you can.

Recommendations: If the content supplier is critical to you, be prepared to invest time and effort in building the relationship; and if it isn't ....

Discussion

- We are the channel partners
- As volumes go down, consolidation is needed to get rid of loss makers
- Tiering – only the highest will survive
- If the content supplier is critical, invest

#6: By the end of 2010, the proportion of the UK External Training spend covered by B2C will have grown by 25%.

Key Findings: The compensation packages for redundancies, the pressures on outplacement services, an increase in freelancers, and the lack of job security will lead to a growth in privately funded training (i.e. the B2C sector). This area of the market will see modest growth in 2009.

Market Implications: If you're already in this sector then you can use it to offset exposure in other sectors.

Recommendations: The main problem with B2C is that it requires strong marketing and lead generation programmes; this is no time to cut the budget that is allocated to B2C!

Discussion - All agree:

- Based on evidence, this is a typical trend during a recession, for example, USA and India
- Retention is an issue, so invest in retention with marketing and support
- VFM – good value (own pocket)
- Outcome – certified/differentiated from other exit positions

#7: The proportion of revenues from Government Initiatives that influence skills will be constant through 2011.

Key Findings: Government is clearly going to spend aggressively in an effort to get the economy re-started and the issue at stake is "will this provide an opportunity for Training Providers?" The "Train to Gain" programme does not appear to have been particularly successful and it was targeted at an economy that no longer exists! Admittedly this SPA is somewhat sceptical, but we have to start somewhere!

Market Implications: There will be lots of pump-priming – but in the main we will be secondary beneficiaries.

Recommendations: Don't take my word for it – keep an open mind and watch out for any initiative that looks promising. And do look for any pump priming initiatives that have consequences on skills.

Discussion:

- Government is spending aggressively
- Training opportunities???
- Pump priming
- Secondary benefits?

#8: By year-end 2010, classroom-based revenues will have dropped by 50% from 2008 levels.

Key Findings: Forecasters have been saying that “the end of the classroom is nigh” ever since the 1980s! They’ve been wrong before but the issue is whether this recession makes it any different! The classroom will have its place in terms of entry level skills – but the demand for them will be significantly reduced over the next few years and that’s the key factor behind the exposure.

Market Implications: The impact of lower fill rates, shorter term decisions and forecasting risk will create some critical decisions for the scheduling and administration part of the operation.

Recommendations: Re-look at your forecasting and fill-management models to see that they are optimised for the current conditions.

Discussion - All agree:

- Based on 5% drop predicted from Q408, the 2001/2002 drop, and traditional classroom training
- Increase enablement/capability of delivery resources
- Develop robust, self-paced e-learning
- Concentrate on customer-specific training
- Carry out internal/external marketing.