

2009 Corporate Issues Survey

A Seven-Year Look at the Key Issues Organizations and Leaders Face

The Ken Blanchard Companies® annual Corporate Issues Survey pinpoints the needs and issues of organizations seeking to develop their people to their fullest potential. The findings in 2009 represent the feedback from more than 1,700 executives, line managers, and training and HR leaders from a range of companies, industries, and countries. Since 2003, approximately 6,700 leaders have participated in this ongoing study.

Executive Summary

In 2008, organizations felt the first signs of an economic slowdown, and the outlook for 2009 foreshadows more of the same at least until Q2 or Q3. Unemployment is at its highest since 2001 and is predicted to deteriorate throughout the first half. Inflation is predicted to increase as companies pass along the costs of fuel to consumers. Growth in Europe and Asia is predicted to slow as well.

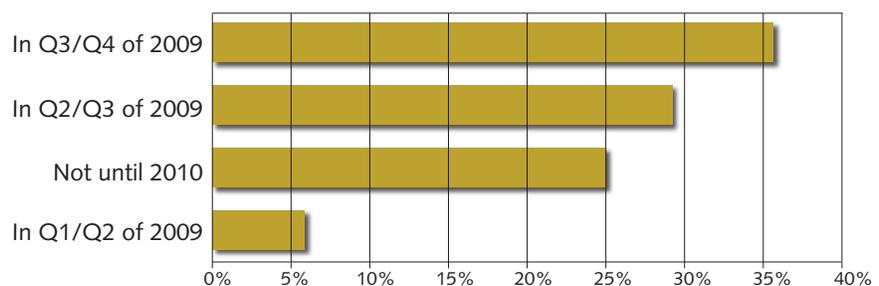
Respondents in our survey paint a similar picture citing economic challenges, competitive pressures, and growth and expansion as key organizational challenges. At the management level the set of challenges becomes more focused on people development—creating an engaged workforce, managing change, and developing potential leaders. And at the employee development level the top three issues include performance management, managerial/supervisory skills, and interpersonal communication skills.

Survey Detail

Economic Outlook for 2009

Respondents were asked to describe their organization's overall outlook in regard to the economy. About a third (29%) of our respondents are optimistic—believing that the economy will begin to improve about midway to two-thirds of the way into 2009. A little more than a third (36%) are only slightly optimistic—believing that the economy will not begin to improve until the third or fourth quarter of 2009. And a quarter (25%) of respondents were not optimistic that the economy would begin to show signs of improving until 2010. *See Chart 1.*

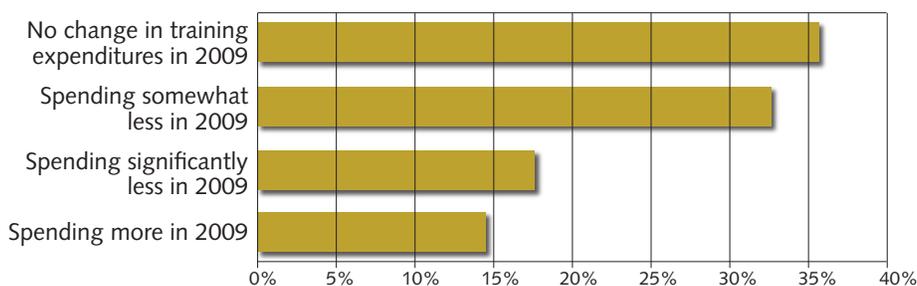
CHART 1
When Will Economic Recovery Occur?



In light of the current economic outlook, respondents in our survey also show caution in regard to training expenditures for 2009 and other planned activities to cope strategically with the foreseen economic challenges.

Training and marketing can often be the first cost areas to be cut in a soft economy. *Training* magazine's survey figures regarding the economic downturn following 9/11 showed training budgets remaining virtually flat for three consecutive years. However, responses from our survey show that in 2009 these areas may not be the first areas to be cut. See *Chart 2*.

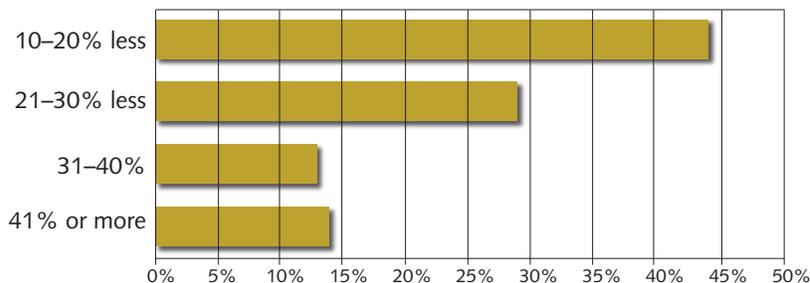
CHART 2
Training and Development Expenditures for 2009



While organizations aren't painting a sunny picture for the economy in 2009, it doesn't appear that they are slashing training budgets in response. Only 17% stated that they plan to spend significantly less money on training and development in 2009 compared to 2008, and almost half (49%) of respondents stated that they planned to spend the same or more on training in 2009 in comparison to 2008. This data may indicate that organizations recognize the strategic value and competitive advantage in connection to training and developing people. In addition, organizations in our survey sample appear to be turning to performance and productivity enhancements as well as to branding and differentiation over cutting costs to create competitive advantage.

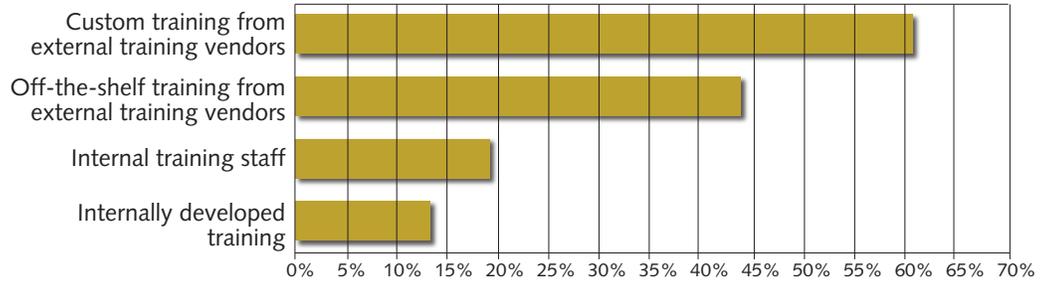
Respondents who indicated that they anticipated making cuts to their training budgets were asked to specify what percentage of decrease they were expecting. Almost half of the respondents indicated that the cuts would be minor, or about 10 to 20 percent less in 2009 than in 2008. Although another 29% did say they expected to spend 20 to 30 percent less in 2009 than in 2008. See *Chart 3*.

CHART 3
How Deep Are the Expected Cuts to Training Budgets in 2009 Compared to 2008?



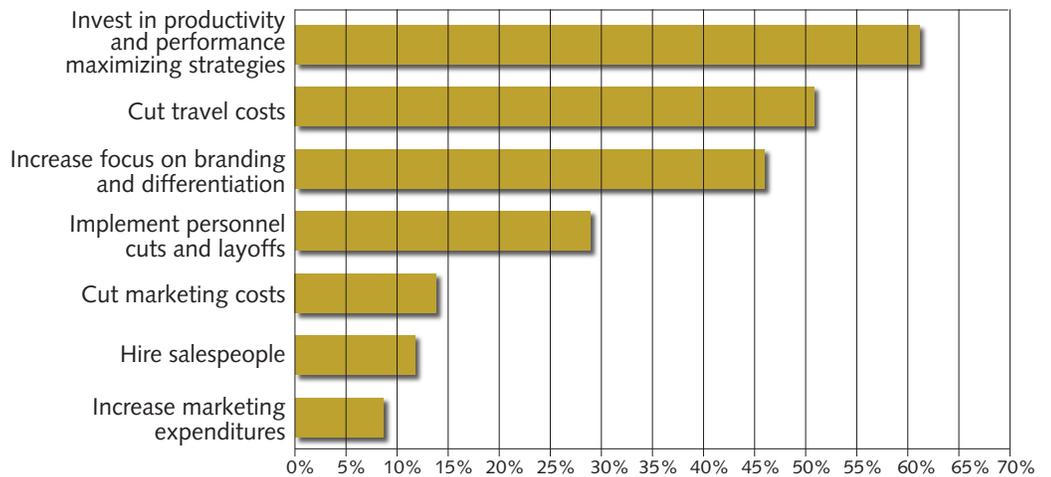
And when training cuts are made, areas that may be hardest hit are funds for customized training developed by externally utilized training and development firms followed by funds for off-the-shelf training developed by externally utilized training and development firms. See Chart 4.

CHART 4
Where Are Training Budget Cuts Most Likely in 2009?



While some organizations will resort to decreasing expenditures and personnel to cope with a down economy, our data suggests that these options aren't the first line of defense executives will turn to. Under 30% indicated that they would implement personnel cuts and layoffs and under 15% indicated that they would cut marketing costs. And there are other inductions that executives won't resort to budget slashing as the only method for coping with a down economy. According to our respondents, more than 60% plan to implement productivity and performance maximizing strategies. In addition, more than 45% plan to focus on branding and other methods to differentiate their organizations and their services and possibly offset revenue losses by increasing their competitive position and advantage in the marketplace. More than 10% plan to add to their sales forces in hopes of improving revenue through increased manpower. Finally, respondents in our survey indicated that almost 10% planned to increase marketing expenditures.

CHART 5
Tactics for Coping in a Down Economy



Top Organizational Challenges

The top issues organizations will focus on in 2009 remains largely unchanged from previous years. Competitive pressures and growth and expansion remain in the top ranking issues. See *Chart 6*.

Economic challenges was added in 2008 as an issue for this year's list of choices and was also a top issue for organizations in 2009, increasing significantly over the past year and mirroring the uncertain economic outlook ahead. The issue of growth and expansion decreased in the percent of respondents selecting it, indicating that either growth is not on our respondent's minds in the coming year, or that growth is not seen as viable given the economic outlook.

Skill shortages, a top organizational challenge, has increased steadily as an issue since 2003 but declined sharply this year, indicating that more pressing matters are on our respondent's minds. Price sensitivity has decreased almost every year since 2003, with the exception of 2007, until this year, when it increased by four percent. Culture change was also added as an issue to this year's list of choices and weighs in as our respondents' number four issue, right behind skill shortages.

CHART 6 Top Organizational Challenges

(Ranked by order of importance in 2009)

Issue	2003	2004	2005	2006	2007	2008	2009
Economic challenges	na	na	na	na	na	61%	85%
Competitive pressure	71%	67%	63%	60%	65%	63%	64%
Growth and expansion	n/a	n/a	n/a	53%	60%	59%	50%
Culture change	na	na	na	na	na	48%	41%
Pricing sensitivity	45%	39%	38%	34%	41%	36%	41%
Innovation	na	na	na	na	na	35%	36%
Skill shortages	34%	34%	39%	43%	51%	50%	34%
Global challenges	n/a	n/a	n/a	22%	24%	22%	26%
Government regulation	29%	27%	30%	28%	29%	24%	25%
Changing technology	31%	32%	30%	29%	30%	31%	24%
Industry consolidation	8%	20%	14%	13%	12%	13%	15%
Ethics and social responsibility	na	na	na	na	na	13%	13%
Environmental and ecological adherence	na	na	na	na	na	9%	10%

Top Management Challenges

In this section, respondents were asked to choose the top five issues they would focus on in 2009 and then in a second question asked which one issue was most important.

Creating an engaged workforce, which ranks second, has increased in importance every year since 2003, based on the number of respondents selecting it. Managing change, an issue that was added in 2008, ranks first, reducing costs ranks third, and developing potential leaders ranks fourth. The issue of reducing costs increased more than 10 percent, indicating that respondents are indeed focused on their corporate pocketbooks. The issues of selecting and retaining talent and managing a shrinking talent pool both declined sharply this year, indicating that organizations are more focused on weathering the economic storm rather than on keeping key people. This is surprising when one considers that key talent retention is a source of competitive advantage. *See Chart 7*

CHART 7 Top Management Challenges

(Ranked by order of importance in 2009)

Issue	2003	2004	2005	2006	2007	2008	2009
Managing change	na	na	na	na	na	55%	59%
Creating an engaged workforce	47%	48%	48%	53%	54%	58%	57%
Reducing costs	58%	49%	50%	45%	43%	38%	52%
Developing potential leaders	74%	58%	58%	63%	64%	53%	50%
Customer loyalty	46%	45%	41%	41%	48%	38%	39%
Selecting and retaining key talent	55%	55%	53%	57%	62%	50%	39%
Communicating mission, vision, values	na	na	na	na	na	39%	35%
Aligning culture with strategy	na	na	na	na	na	37%	33%
Increasing innovation	32%	31%	32%	36%	25%	29%	31%
Succession planning	48%	36%	34%	42%	38%	27%	26%
Employee flexibility/responsiveness	39%	44%	35%	39%	26%	22%	25%
Managing a virtual workforce	na	na	na	na	na	11%	14%
Managing a shrinking talent pool	na	na	na	na	na	18%	13%
Understanding generational influences	na	na	na	na	na	11%	12%

Top Employee Development Challenges

This section sheds light on the top employee development challenges organizations will face. Performance management emerged as the key issue, followed by managerial/supervisory skills, interpersonal communications skills, and then team building skills. *See Chart 8.*

Chart 8 Top Employee Development Challenges

(Ranked by order of importance in 2009)

Issue	2003	2004	2005	2006	2007	2008	2009
Performance management						78%	75%
Managerial/supervisor skills	75%	61%	61%	66%	64%	74%	71%
Interpersonal communication skills	53%	56%	40%	51%	48%	63%	62%
Team building skills	46%	44%	38%	46%	44%	59%	60%
Customer relationship skills	51%	48%	44%	48%	52%	58%	55%
Innovation/intrapreneurship						42%	45%
Executive development	48%	36%	32%	36%	37%	46%	45%
Sales skills	35%	31%	31%	26%	28%	34%	39%

Top HR Challenges

In 2008, we added a new section to identify challenges that HR and training leaders specifically face. The data indicates that the areas of most concern are the ability to connect training content so that it specifically links to and addresses business results and aligns with the strategic initiatives for the organization. Another issue is that of sustaining training throughout the organization and specific to the individual through follow-up and reinforcement strategies. Additionally, the need to create and embrace coaching and to imbed that within the organizational culture is a key area of focus. Two other issues rounding out the top six are the ability to measure the effectiveness of training and to establish competencies. *See Chart 9.*

Chart 9 Top Five Human Resource/Training Challenges

(Ranked by order of importance in 2009)

Issue	2008	2009
Connecting training to business results	67%	65%
Strategic alignment of training goals and business initiatives	62%	62%
Sustaining training with follow-up and reinforcement	63%	60%
Embracing a coaching culture	58%	51%
Measuring the effectiveness of training	53%	51%
Establishing competencies	43%	42%
A focus on integrated talent management	38%	36%
Reducing the cost of training	21%	34%
Creating buy-in for training	31%	33%
Securing top management buy-in	25%	25%

Types of Training Most Likely to Be Offered

When it comes to developing individuals at all levels, organizations opt for a variety of training focuses. The types most likely to be offered are around leadership skills, managerial skills and supervisory skills, followed by sales skills, mission/vision/values, and team effectiveness skills. Respondents were given the option of selecting an answer using the continuum of “to no extent” ranging to “to a very great extent.” Percentages shown were calculated by combining the responses falling into the “to a great extent” and “to a very great extent” options. *See chart 10.*

CHART 10 Types of Training Most Likely to Be Offered in 2009

(Responses shown are for organizations responding “to a great extent” or “a very great extent”)

Type of training	Percent offering
Leadership Skills	46%
Managerial/Supervisory Skills	43%
Customer Service Skills	42%
Sales Skills	36%
Mission/Vision/Values	34%
Team Effectiveness	32%
Coaching	30%
Employee Engagement/Empowerment	30%
Productivity Improvement	27%
Project Management	24%
Managing Change	22%

Strategies for Maximizing Training Deployment and Budget

We know through our research that certain strategies must be in place in order for an organization to get the most from its training and development dollars. Linking training to strategic corporate objectives, making sure there is buy-in for training at all levels and especially at the C-level, pacing training delivery over time, and ensuring necessary time for skill practice as well as for follow-up and reinforcement are all key to the success of a training initiative. We asked respondents in our survey sample to tell us to what extent their organization utilized these key strategies for success when deploying a training initiative. Respondents were given the option of selecting an answer using the following scale of “to no extent” ranging to “to a very great extent.” Percentages shown were calculated by combining the responses falling into the “to a great extent” and “to a very great extent” options.

Areas where organizations seem to fall short are in regard to delivering training in ways that mirror the individual’s learning preferences: only 39 percent of organizations do this to a great or very great extent. In regard to ensuring that individuals have ample time to practice skills, organizations also fall a little short; a little under half of respondents employ this strategy to a great or very great extent. Finally, in regard to creating buy-in for training at all levels and ensuring sustainability, only 46 percent and 37 percent respectively employ these strategies to a great or very great extent. *See chart 11.*

Chart 11

To what extent do organizations utilize the following strategies for maximizing training?

(Responses shown are for organizations responding to a great extent or a very great extent)

Issue	Percent Responding
Tie training to organization’s mission	66%
Ensure that training links to real work applications and situations	63%
Link training to organizational goals and initiatives	61%
Create buy-in for training at the C-level	59%
Ensure that participants understand what the organization expects them to do differently as a result	52%
Create buy-in for training at all levels	46%
Ensure ample skill practice	45%
Deliver training in ways that mirror the individual's learning preferences	39%
Ensure sustainability strategies are in place	37%



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