

2023

Look Ahead

Enterprise L&D

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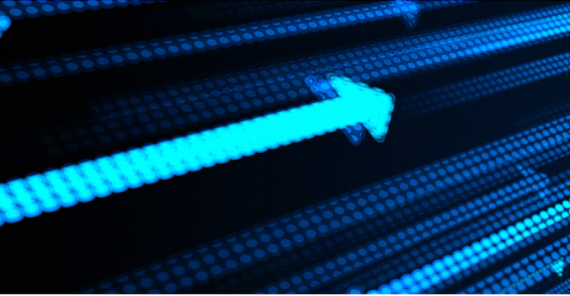
"THE GAME IS ON."

Sherlock Homes

While this is only the second year that I have shared my thoughts on the sector in this format, this has been a 25 year journey as both an insider and outsider to the industry. My blog, whose first post in 2008 was originally titled "this Industry needs an enema," has brought me both backlash and begrudging acknowledgement from sector participants. But identification of challenges is not where I find my joy. Puzzles are exciting. Solutions are satisfying. I am confident in the existence of solutions for the puzzles presented here. I am admittedly less confident about the industry's legacy players willingness initiate the necessary transformation.

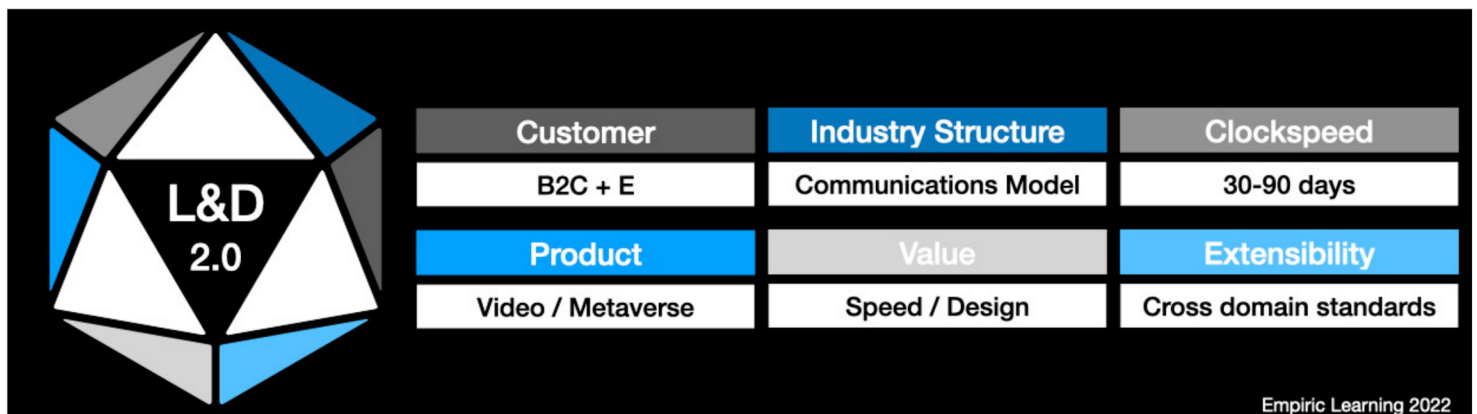
This year I am building on last year's drivers. A summary of the 2022 Six Key Transformations is included in the following section. These predictions remain unchanged, despite the ensuing twelve months, because I believe them to be directionally correct, though my sense of distance was off. I continue to look at Franklin Covey (NYSE:FC), one of my picks from last year, as an early adopter of the new knowledge media model. While companies with limited vision and last year's "unpicks", Curiosity Stream (NASDAQ:CURI) and SkillSoft (NASDAQ:SKILL), will likely continue to struggle mightily.

While the post-Covid digitization boom has waned I still feel strongly that the sector is long overdue for transformation. The current industry mindset reflects a backward looking view, taking best practice and innovation from other sectors and pulling them into service of workforce development, often superficially. The sector structure has also limited its understanding by outsiders. The lack of public sector companies and analyst coverage for them is a clear sign that outsiders "don't get it." This confusion has limited any influx of the outside capital which is essential for funding innovation. A change to either the mindset or structure of this critical sector is needed to ignite a much needed explosion of innovation in this space.



2022 Thesis Recap

The opportunity exists to create a “2.0 Ready” company that captures disproportionate value and the highest value market positioning.



Workforce Development is a large and rapidly growing pain point worldwide on government, corporate and “student” customers. Economies are feeling the strain of a mismatched talent pool. Companies are realizing that their patriarchal relationship with the workforce is inefficient and no longer compelling to the workforce. Workers are learning to take greater agency for their labor, imposing consumer-grade expectations on learning solutions. Combined with a track record of limited proven impact and minimal stakeholder confidence, the workforce development sector is poised for a wholesale transformation.

TL;DR

Driven by workers' increased agency, providers of learning will increasingly need to move from the current B2B model to one that supports both B2C and enterprise sales. This change in customer will challenge the sales and support systems of legacy players.

Driven by consumer-fed expectations, learners will demand preferred platforms, immersive experiences and accelerated time-to-value. Incumbents will struggle to make video fit existing profit models and new digital platforms and performance requirements will require extensible design architectures and tools.

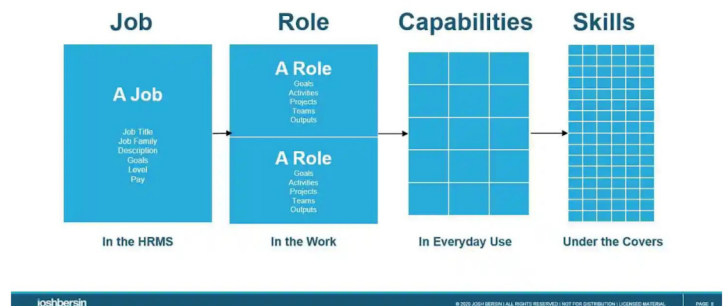
Dissatisfaction with current results and rapid innovation in adjacent domains (ie. neuroscience, behavioral economics, artificial intelligence) will grow the opportunity for outside disruption. Without sweeping realignment the industry will find attracting outside investment increasingly difficult.

Theme 1: Skills



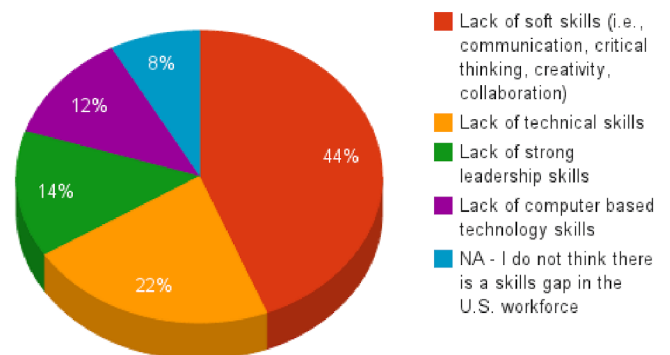
Last year’s investment thesis noted that employers were realizing that their patriarchal relationship with the workforce was, "inefficient and no longer compelling to the workforce." When big companies decided to rebuild 'normal' nobody asked the employees. Employer frustration with the situation saw shouts of 'lazy' and 'unprofessional' hurled at workers around the globe. Often for nothing more than being unwilling to work for free. There will be many more words hurled around as employers and workers try to rebalance the distribution for value creation in the coming years.

Understanding Skills vs. Capabilities



Skills will play a key role in this rebalance. Our current industrial age workforce system is primarily designed to operate on the unit of "employee" (person as proxy for a bundle of skills). This causes inefficiency due to non-core skills diluting overall value-add. Think of the salesperson spending the day doing paperwork for a deal. Thankfully, this is beginning to change. Motivated by the labor shortage, enabled by higher levels of automation and desired by workers who want to sell their output in a different fashion, "skills economy" will replace the "metaverse" clickbait in next year's feed.

Which of the following do you feel BEST defines the "gap" in the U.S. workforce skills gap?



SOURCE: ADECCO



Just as the microscope opened up a new understanding of science, the new skill scope will allow us to see performance in a new way. No longer reliant on degrees or past jobs to serve as blurred proxies for human capital, organizations will no longer need to operate in units of "employees," and can instead focus on the key skills that drive value creation. Skills will also enable the lateral paths currently missing from our labor ladders connecting skill bundles across jobs, and industries. A focus on skills will also allow non-traditional skill development to gain long overdue legitimacy. For several years I have called for the development of a universal skill ontology as a key enabler of learning design. Last year saw announcements of both proprietary and open libraries under development composability and usefulness will ultimately determine the winner.



Theme 2: Video

The short position in Curiosity recommended last year stems from a core premise which places all functional videos, ones whose outcomes are primarily learning, in a shared viewing pool. Last year I saw no companies that shared this premise. One of the companies I reviewed used the term "factual entertainment" to describe their documentaries. I prefer the term "functional video" because it forces a viewer-centric structure to the market. Much of the video consumption today is "destination video." It is an end in itself. Functional video on the other hand is in pursuit of something else. This can be a documentary where the viewer seeks to sate their curiosity, a MasterClass to learn something, or a YouTube or TikTok video where one seeks to fix, cook, paint, or understand something. All of this viewer consumption pulls from the same slice of a viewer's attention. This is where the videos used by corporate L&D compete.

Top 100 Tools for Learning 2022

Results of the 16th Annual Survey

TopTools4Learning.com

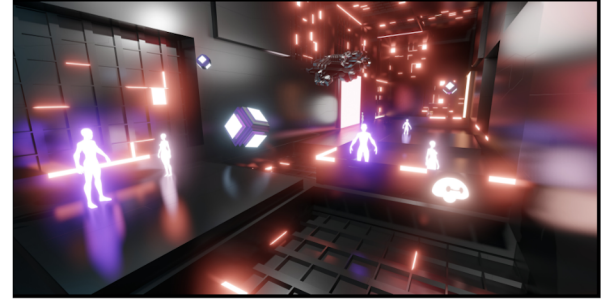
#1
SEVEN
YEARS
IN A ROW

+/-	TOP 300	TOOL	BRIEF DESCRIPTION	PPL	WPL	EDU
0	1	YouTube	video hosting and sharing platform	✓	✓	✓
+3	2	PowerPoint	presentation software	✓	✓	✓
0	3	Google Search	search engine	✓	✓	✓

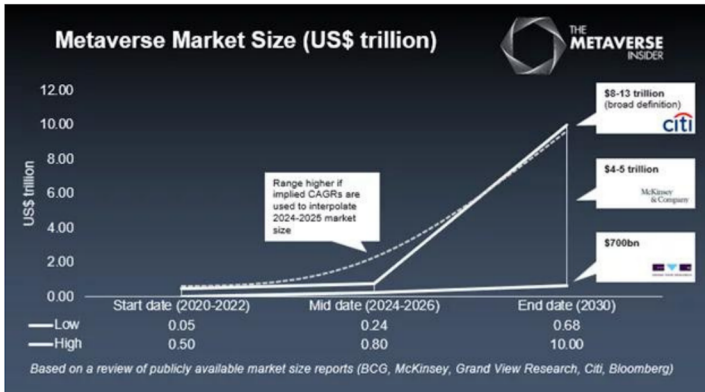


While this redefinition may seem minor it is not. This reframing impacts production, distribution, and monetization. You would be forgiven for thinking that advertising and subscription is the only alternative model for video. This year's Netflix headlines would make you believe that. But that is not even true for the distribution link in the value chain. In the production link new monetization models have been moving at pace. Sharknado (now a franchise and not even shot until it was assured profitability), Info-mercials, adver-torials, sponsored content, and docu-tainment all offer new monetization models untapped by L&D. This redefinition will open up new combinations and a rapid crossover of ideas, styles, formats, talent and business models.

Theme 3: M*verse



While Zuckerberg takes the fall for his legless, top down vision of the metaverse, this is only one thread in the disjointed new digital universe. And while many are happy to dismiss silly Nintendo rip-off avatars, they are just as happy to spend the weekend lost in Call of Duty, a Peloton "class", a game on their phone or the Victorian Age of Bridgerton. Immersion comes in a lot of flavors. Immersion not 3D is the key value driver of the M*verse. It is not about goggles. It is about engagement and it's happening.

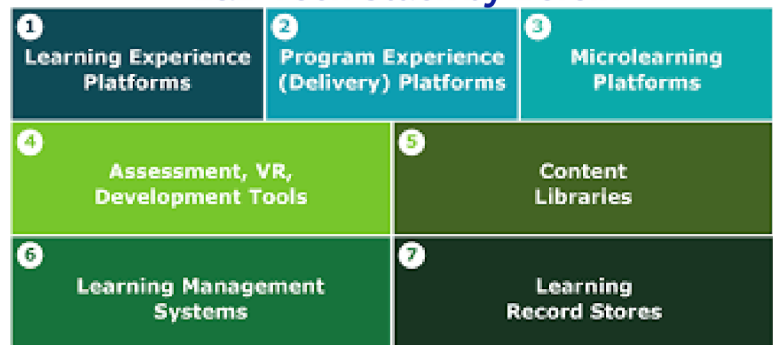


Early experiments continue at pace with brands and platforms continuing to advance elements of the M*verse's value proposition. Last year's mention of the metaverse brought eyerolls from many of the executives with whom I discussed it. But a McKinsey report to CEOs and the cover of the Corporate L&D's industry magazine have changed many opinions in 2022.

My interest last year was piqued by two near term potential impacts of M*verse adoption; the elimination of the L&D tech stack and the enablement of a creator economy for the large pool of independent providers.

L&D has long had an IT silo that even the big HR platforms didn't want to touch. Opting instead to leave Learning as a module to come. A quick glance at Bersin's typical L&D stack makes it clear that all of the current functionality is served by an M*verse platform solution. The M*verse can be a one-stop, cost saving, outsourced, cloud deployment. And if it can create a single standard API into HR systems for all data, there is ample motivation for the Cornerstones of the world, as well as all CFO's, to push for it.

L&D Tech Stack by Bersin



There are currently over 60,000 learning practitioners working inside Fortune 500 companies. Add to this number the professionals supporting smaller companies, almost one-third of Training magazine subscribers work for companies with fewer than 250 employees. Now add the vast pool of formerly employed, now independent, consultants and small collectives operating in the provider space and you can see the sizable audience for "learning hustlers". Constrained at work by corporate standards or risk-adverse clients, these creators do not have a platform that allows them to monetize their learning solutions.

Is this the year?

I love learning. The last three decades have seen me go from a consumer of traditional university education to an insider to the selection, production, and utilization, of learning by organizations, and a curious fan of the brain that consumes it. My criticism of the industry that is tasked with wielding this powerful tool, has often been taken as too harsh. But my commentary comes from a core belief in the importance of it.

The L&D industry has shown itself to be very risk-averse and slow to adopt new approaches. It has also shown a stubborn grip on outdated or false concepts. One need to look no further than the continued widespread belief in the scientifically disproven myth of learning styles. Despite this, I do think that there are some legacy players who have the pieces to make the needed transformation. I also think that there are several large companies with a variety of adjacencies that could change the industry almost overnight. Amazon (books/videos), Microsoft (gaming/LinkedIn) and Salesforce (platform/metrics) are top of my list for the latter category.

The primary activity of all organizations is Learning. Winners must quickly learn; new markets, new competitors, new technologies, new business models, new techniques, new customer needs, new regulations, new new new... So why is it still viewed as a support function equivalent to payroll? CEOs have been citing people as, "our most important asset," for decades. So why do those tasked with constantly upgrading this asset not have a seat at every table?

Maybe because L&D hasn't yet learned that what got us here, won't get us there. But maybe this year



J. MIGUEZ

Jey Miguez (he/him) has spent the last 25 years designing Learning & Development organizations and the service offerings that support them. He led the Forum Corporation's training organization assessment capability in the 90's and has since continued to work with global 1000 companies in a variety of sectors to optimize their learning organizations.

J. designed and launched Franklin Covey's training outsourcing offering, later acquired by Mellon. He has previously held the position of Senior Talent Solutions Architect for Aon Hewitt focusing on developing new approaches, solutions and partnerships for clients. Through Empiric Learning and his work with early stage companies, J is committed to being a catalyst for innovation in the Learning domain.

J., his dog Charlie (she/her) and the consultancy are based in New Orleans.

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Thinking out loud about Workforce Development

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LEARNING
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When the new mindset
and tools are set against
the past, we will have a
revolution.

CORBUSIER