eLearning in Financial Services: A Case-Based Analysis

Eilif Trondsen

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OVERVIEW

In industrialized countries, the financial industry is a large and highly knowledge-intensive business that has seen dramatic change in the past decade. Regulatory changes, competitive dynamics, and the accelerating impact of information technology (IT) are all changing the way the industry does business. On the demand side, consumers, industry, and government need and demand new types of products and services. These forces of change and pressures have affected both the structure and the operation of financial-services companies (FSCs) all over the world, and, not surprisingly, they are prompting changes in learning and training (see Figure 1). The case studies in this report illustrate the impact of these changes in leading financial institutions and show how major FSCs are changing their approaches to learning and knowledge.

Figure 1
KEY DRIVERS OF CHANGE IN THE FINANCIAL INDUSTRY

Supply Side
- Regulation
- Technology
- Competition

Demand Side
- Consumers
- Industry
- Government

What Employees Need to Learn

Change in Financial-Industry Structure and Operations

How Learning Takes Place

Source: SRI Consulting Business Intelligence (SRIC-BI)
The financial industry embraces numerous sectors with varying characteristics and numbers and types of institutions. Moreover, significant variations exist across countries because of different regulatory regimes and economic conditions. In the United States, the industry includes the following segments or sectors: commercial and savings banks (some 10,000 institutions), credit unions, life- and property/casualty- (P/C-) insurance companies, securities and investment banks, and diversified financial companies (such as American Express and GE Financial). Figure 2 shows employment levels—one of many factors that affect demand for learning and training—in the major sectors of the U.S. financial industry.

![Figure 2](image)

**Figure 2**

**EMPLOYMENT IN U.S. FINANCIAL-SERVICES INDUSTRIES, 2001**

Given the importance, size, and dynamics of the financial industry, it is clearly, and will continue to be, a major target of opportunity for developers of eLearning technology, content, and services. This opportunity will grow as credible evidence and strong case studies become available and demonstrate eLearning’s significant business impact. However, companies need to adopt a holistic perspective on eLearning and recognize that incorporating Web-based courses in formal training is only one element in the new corporate learning environment. Although many firms now recognize the need for
“blended learning models,” they often interpret this concept too narrowly—although institutions like Bank of Montreal (BMO), one of the case studies in this report, are exceptions. To make the most of eLearning in today’s workplace and to ensure maximum, measurable impact on corporate performance, FSCs must recognize the following dimensions:

- **Content mix.** FSCs must decide how much and what types of off-the-shelf, generic content they will use and how much in-house, customized content (some of which may come out of informal learning and work activities) they will develop. As the case studies in this report show, FSCs vary in their approaches, and interesting dynamics are at play. FSCs need a variety of fairly generic content to address their large compliance needs. But in core areas of their operations, they must develop and use proprietary content to maximize their performance and stay competitive.

- **Informal mix.** Although formal, course-based training is still a major part of today’s training world, debate is growing about how effective this type of training is. Although FSCs spend most of their learning and training budgets on formal learning programs and activities, a growing number of studies and surveys show that informal learning is very important and that most people believe that they learn most effectively in informal situations (see a discussion of this topic at http://www.sric-bi.com/LoD/news.shtml; see also the report of the May 2003 meeting of the eLearning Forum). The case studies in this report reveal the interesting forms that informal learning can take—such as communities of practice (CoPs)—and show how companies can support these activities and use them to create effective learning environments.

- **Virtual mix.** When most people think about blended learning models, they focus on the ratio of classroom or traditional instructor-led training to eLearning (in which asynchronous eLearning is more learner driven and flexible than synchronous forms of learning). FSCs still use classrooms for many types of learning and training, but a growing number of FSCs plan to reduce the role of more traditional, classroom-based activities significantly because of their cost, inflexibility, and other factors.

The financial industry will continue to expand its use of eLearning because of the following key needs:

- **Regulatory compliance and certification.** The financial industry faces heavy regulation (in some cases, at both state and federal levels), and new regulations appear regularly. In early 2003, for example, California imposed new conflict-of-interest and disclosure rules on investment banks that do business with the state. Such regulations require FSCs to train a large number of employees, and the companies must document and track their training activities for auditing purposes. As a result, they need learning-management systems (LMSs) to handle the administrative tasks of training. Many employees also need certification before they can sell financial products and services.
• **Widely distributed workforce.** As FSCs extend their reach regionally, nationally, or globally to serve new clients and markets, eLearning becomes an increasingly cost-effective mode of training delivery. U.S. commercial banks alone have more than 65,000 branches, and insurance companies have thousands of agents across the country who need convenient access to learning and training.

• **Knowledge for cross-selling and “solution selling.”** Most FSCs aim to increase the number of products and services that they sell to existing clients. In a recent significant strategic shift at Merrill Lynch (ML), for example, the company’s senior management decided that its brokers and financial advisers should focus primarily on the company’s most important customers and that it should use call centers to serve customers with accounts of less than $100,000. Understanding the features and benefits of a rapidly growing menu of available products and services and learning to match these products and services to clients’ needs—in other words, selling solutions rather than products—is becoming increasingly important in the industry. Easily available, cost-effective learning materials that can help employees refresh their knowledge and improve their skills are important, and FSCs see eLearning as a good way to meet this need.

### eLearning for Strategic Advantage

Today, most of FSCs’ eLearning programs provide courses for internal learning needs—or relatively formal training. As Figure 3 shows, however, internal learning is only a small part of the learning landscape that FSCs could address through eLearning (formal and informal). The case examples in this report include organizations that go beyond formal, highly structured courses for employees to offer a greater variety of learning options, including informal, collaborative, group-oriented learning (using Web-based platforms) and learning within communities of practice. But learning and training are also moving into the extended enterprise, toward customers and business partners (to intermediaries or agents in the insurance industry, for example), moving up and down the value chain (the vertical axis in Figure 3; also see the Learning-on-Demand [LoD] Program report *eLearning along the Value Chain*).
Whereas Figure 3 illustrates one perspective on the likely evolution of eLearning in the financial and other industries, Figure 4 presents a complementary and different perspective that addresses the integration of eLearning and knowledge management. It notes the growing importance of creating and sharing knowledge, especially as subject-matter experts (SMEs) in FSCs contribute to their organizations’ knowledge bases and as their expertise becomes available (in the form of best practices, for example) through either formal or informal learning. In a blended-model approach to learning, this form of fairly “granular” content from SMEs (with controls in place to vet the quality of the content) will complement other, more course-based learning materials.
To leverage eLearning for full strategic advantage and to use eLearning to support major, strategic initiatives, FSCs need to see eLearning as only one element in the overall emerging electronic-business (e-business) architecture of the organization. And major enterprise-application companies that serve “C-level” executives who make strategic decisions about enterprise systems are now increasingly seeing eLearning, content management, knowledge management, and related application areas as merely related subsets and elements (or modules) of the big picture, part of the mosaic of larger enterprise systems (see LoD Bulletin, Third Quarter 2002, for a discussion of eLearning and enterprise applications). For this reason, investment analysts are skeptical about the ability of many narrowly focused players, including content-management vendors like Plumtree and Stellant, to compete with large players like IBM that are increasingly integrating content-management and other functionalities into their larger systems (see the Merrill Lynch case in this report). However, only time will tell how this part of the emerging learning industry will evolve and which firms will become dominant players.
Figure 5 illustrates this evolution of e-business, which will include both formal and informal forms of eLearning. Although significant cost efficiencies and scale economies are achievable even in the early phases of this evolution—in the information-exchange stage—higher added value will come when eLearning supports work transfer and the creation of new relationships with customers and channel partners. The case study of the Canadian insurance company Clarica illustrates how the use of informal learning and communication in CoPs is furthering this development.

![Figure 5: EVOLUTION OF ELECTRONIC-BUSINESS FUNCTIONALITY](image)

Source: McKenna Group; Deloitte Consulting; SRIC-BI
Tactical Needs and Solutions

FSCs with more advanced learning strategies will use second- or third-generation eLearning (Figure 3 and the outer parts of Figure 4), but most FSCs will continue to operate mostly with “first-generation eLearning” or with a mix of distributive and interactive technologies. This larger group will continue to have a course focus and rely heavily on classrooms and instructors for some years to come. But a growing number of FSCs now have learning-management systems or learning-content–management systems (LCMSs; see Table 1) or are installing such systems. Some FSCs have also begun to see these learning systems (for administrative and content-assembly and distribution functions) as complementary to digital enterprise content-management systems (from companies like Stellant, Interwoven, and IBM). As companies adopt these systems, they will begin looking for opportunities to leverage this infrastructure and to gain maximum use and benefit by creating appropriate content for specific business and performance objectives.

<table>
<thead>
<tr>
<th>LMS/LCMS* Vendor</th>
<th>Clients</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstart</td>
<td>Allstate Insurance Co., Chase Bank, CitiBank, Comerica Bank, Internationale Nederlanden Group, Wells Fargo</td>
</tr>
<tr>
<td>Docent</td>
<td>Deutsche Bank, Merrill Lynch, Prudential Securities, Wachovia, Allmerica Financial, American Family Insurance, Country Home Loans, Credit Union National Association, Credit Union Institute of Canada, Dun &amp; Bradstreet, Greenpoint Mortgage, Morningstar, One Beacon Insurance Group</td>
</tr>
<tr>
<td>Saba</td>
<td>ABN AMRO, Wells Fargo, Scotiabank, Abbey National, Fifth Third Bank, Standard Chartered, Royal &amp; Sun Alliance, BPM, Principal Financial Group, Banco Itau</td>
</tr>
<tr>
<td>WBT Systems</td>
<td>Credit Suisse Financial Services, Blue Shield California, WellPoint, Anthem, ConnectiCare, Empire BCBS, Baloise Insurance, Alexander Forbes, Blue Cross Blue Shield of Alabama</td>
</tr>
</tbody>
</table>

* LMS = learning-management system; LCMS = learning-content–management system.

Source: SRI Consulting Business Intelligence (SRIC-BI)
The good news on the content side, and one reason for FSCs’ growing adoption of eLearning, is that content is improving steadily and bringing greater user satisfaction. (See the results of the recent LoD-ASTD survey at http://www.sric-bi.com/LoD/summaries/Qelearning2003-04.shtml. See also the LoD report eLearning Quality and Effectiveness.) The following developments lie behind this improvement:

- **Growing selection and quality of generic course content.** The variety and quality of off-the-shelf content are improving, and vendors like SkillSoft and NETg now have many titles that meet most general IT and soft-skill–training needs (see two LoD reports: The Changing eLearning-Content Marketplace: Implications for Buyers and Vendors and Simulations for Business Skills: Best Practices and Market Outlook). FSCs increasingly need to teach selling skills as they move away from transaction-type products to solution- and relationship-based products and services. Thus, the variety of such products that are emerging from eLearning-content vendors will find growing appeal.

- **Wider choice of industry-specific course content.** One factor that affects eLearning participation and satisfaction is the relevance of eLearning content to learners’ work and job tasks. Because of the size and importance of the financial industry and the need for regulatory compliance, eLearning vendors today offer a wide range of courses specifically for FSCs (See Table 2 for a sample of vendors. For a good discussion of compliance-related issues in the financial-services industry, see e-Learning for Financial Services: Streamline Regulatory Compliance, Manage Costs and Drive Your Top Line, by WBT Systems, at http://www.wbtsystems.com/news/whitepapers.). Companies like Digital Think are also working with leading FSCs to build proprietary courses that meet specific learning needs in these organizations. A number of leading investment banks have tripled these types of courses in the past two to three years to improve the sales and marketing skills of their financial advisers (the top U.S. investment banks employ 8000 to 12 000 such advisers).
<table>
<thead>
<tr>
<th>Vendor</th>
<th>Web Site</th>
<th>Content Offerings</th>
</tr>
</thead>
<tbody>
<tr>
<td>LOMA*</td>
<td><a href="http://www.loma.org">www.loma.org</a></td>
<td>Courses in annuities, business insurance, company operations, compliance, financial planning, life and health insurance, property/casualty (P/C) insurance, retirement plans, security and investments, sales training, and reinsurance</td>
</tr>
<tr>
<td>American Bankers Association**</td>
<td><a href="http://www.aba.org">www.aba.org</a></td>
<td>More than 50 courses, two to eight hours long, in basic banking knowledge, management and leadership, regulatory compliance, retail-banking sales skills, and trust and investments</td>
</tr>
<tr>
<td>Intuition</td>
<td><a href="http://www.intuitionweb.com">www.intuitionweb.com</a></td>
<td>Library of more than 220 hours of eLearning, from foreign exchange to financial mathematics and money laundering</td>
</tr>
<tr>
<td>Securities Training Corp.</td>
<td><a href="https://www.stcinteractive.com">https://www.stcinteractive.com</a></td>
<td>Online training for securities-exam preparation, insurance certification exam, and life, accident, and health pretests</td>
</tr>
<tr>
<td>Zoologic</td>
<td><a href="http://www.zoologic.com">www.zoologic.com</a></td>
<td>Courses for FSCs in 45 countries on topics such as risk management, option theory, and pricing derivatives; a repository of more than 1000 “self-contained learning objects” on financial topics, terms, calculations, and issues</td>
</tr>
<tr>
<td>EMind</td>
<td><a href="http://www.emind.com">www.emind.com</a></td>
<td>eLearning courses in accounting and finance</td>
</tr>
<tr>
<td>Mindleaders</td>
<td><a href="http://www.mindleaders.com">www.mindleaders.com</a></td>
<td>HS326 Series (Insurance Professionals Exam) of six online courses</td>
</tr>
<tr>
<td>RegEd.com</td>
<td><a href="http://www.regEd.com">www.regEd.com</a></td>
<td>Courses in equities, derivatives, fixed income, practices and procedures, retirement planning, trading/capital markets, mutual funds, estate planning, and other topics</td>
</tr>
<tr>
<td>SkillSoft</td>
<td><a href="http://www.skillsoft.com">www.skillsoft.com</a></td>
<td>A wide range of courses for many industries; accounting, finance, and sales and marketing courses for the financial industry</td>
</tr>
</tbody>
</table>

* LOMA: “An international association through which more than 1,250 insurance and financial services companies from over 60 countries engage in research and educational activities to improve company operations.”

** The association also offers eLearning through the Institute of American Bankers, a national organization that offers professional continuing education and training to bankers.

Source: SRIC-BI
• **Improving quality of custom-made content.** As tools and technologies improve, eLearning content is becoming more dynamic and interactive. For instance, eLearning-content developers can now do simple animation with Flash tools. At a meeting of the eLearning Forum in March 2003, Michael Allen demonstrated the use of Flash to introduce humor into eLearning and thus increase the “3Ms” that Allen believes are essential for success with eLearning: Content must be motivational, memorable, and meaningful. (For information about Allen’s presentation, see http://www.elearningforum.com/meetings/2003/march/index.html#canada.) Today, FSCs that are serious about eLearning typically create a significant part of the content they use, but as the range and content of off-the-shelf content improve, FSCs will likely create less of their formal course content. Content developers are also working hard to meet their customers’ growing need for more dynamic course content. In April 2003, Digital Think acquired Horn Interactive to gain great simulations expertise so that it can meet the growing demand for simulation-based courses (see the LoD report *Simulations for Business Skills: Best Practices and Market Outlook*).

• **More cost-effective course materials.** In the past few years, vendors of content libraries have negotiated fixed-price contracts for a certain number of (potential) users. But when many buyers found that their actual use was much lower than they had expected, these deals turned out to be quite expensive on a per-user basis. A shift in the balance of (negotiation) power has taken place in recent years (from vendors to buyers), and “risk-sharing” deals—in which buyers pay for actual use only—are therefore much more common today. FSCs can today design eLearning programs without necessarily making large up-front payments for course materials.

• **An increasing range of low-cost content options.** In the past few years, many FSCs have found new approaches and tools for coping with tightening budgets while their need grows for learning, training, and information. These developments have in turn changed how companies design, develop, and deploy learning. At a meeting of the eLearning Forum, Sally Crawford (of Crawford & Associates) and Bonnie Becker (formerly director of eLearning at Commerce One) described some of the ways that companies are providing “eLearning on rations”:
  - Use existing resources, and adapt learning around them. This approach requires optimization—not customization—and saves time and money.
  - Create a “knowledge assembly line” of high-impact presentations by SMEs. (A growing number of companies are using voice-annotated PowerPoint presentations as a low-cost solution, using products like some of those in Table 3). Companies can also repurpose this content and make it available to channel partners via the Internet or CD-ROMs.
  - Use targeted “information briefs” and postwork telephone conference-call collaboration.
  - Adopt a “revise-and-extend” model to balance the need for just-in-time information with quality delivery.
— Create low-cost knowledge-sharing frameworks and tools.
— Design eLearning programs to fit within the organization’s employee-development program.

### Table 3

<table>
<thead>
<tr>
<th>Product</th>
<th>Company</th>
<th>Home Page</th>
</tr>
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<tbody>
<tr>
<td>Advanced Learning Platform</td>
<td>Intelladon</td>
<td><a href="http://www.intelladon.com">www.intelladon.com</a></td>
</tr>
<tr>
<td>Agility Presenter</td>
<td>Anystream</td>
<td><a href="http://www.anystream.com">www.anystream.com</a></td>
</tr>
<tr>
<td>Breeze</td>
<td>Macromedia</td>
<td><a href="http://www.macromedia.com">www.macromedia.com</a></td>
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<tr>
<td>Docent Exchange</td>
<td>Docent</td>
<td><a href="http://www.docent.com">www.docent.com</a></td>
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<tr>
<td>ExpressTrain Transformation Suite</td>
<td>Princeton Center</td>
<td><a href="http://www.princetoncenter.com">www.princetoncenter.com</a></td>
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<tr>
<td>iCreate</td>
<td>Wanadu</td>
<td><a href="http://www.wanadu.com">www.wanadu.com</a></td>
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<tr>
<td>Luminix</td>
<td>Handshaw</td>
<td><a href="http://www.handshaw.com">www.handshaw.com</a></td>
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<td>MediaSite Live</td>
<td>Sonic Foundry</td>
<td><a href="http://www.sonicfoundry.com">www.sonicfoundry.com</a></td>
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<tr>
<td>Meridian KSI</td>
<td>Meridian Knowledge Solutions</td>
<td><a href="http://www.meridanksi.com">www.meridanksi.com</a></td>
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<tr>
<td>OnPoint Learning Suite</td>
<td>OnPoint Digital</td>
<td><a href="http://www.onpointdigital.com">www.onpointdigital.com</a></td>
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<tr>
<td>SoftTV ShowAndTell</td>
<td>SoftTV.net</td>
<td><a href="http://www.softtv.net">www.softtv.net</a></td>
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<td>Turbo Demo</td>
<td>Bernard D&amp;G</td>
<td><a href="http://www.turbodemo.com">www.turbodemo.com</a></td>
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<td>Impatica</td>
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</tr>
<tr>
<td>TopClass Publisher</td>
<td>WBT Systems</td>
<td><a href="http://www.wbtsystems.com">www.wbtsystems.com</a></td>
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Source: Brandon Hall; SRIC-BI

- **Opportunities to achieve economies of scale by migrating from physical to virtual classrooms.** As organizations embrace eLearning and the ratio of traditional classrooms to eLearning declines, companies will increasingly adopt products—virtual-classroom platforms—like those from Centra, Placeware (which Microsoft acquired in late 2002), WebEx, and Breeze Live (announced by Macromedia in July 2003). These products are particularly useful for organizations with highly distributed workforces, like banks with many branches. As Table 4 shows, a number of FSCs are already using these products, and many more are likely to follow suit.
Table 4
VIRTUAL-CLASSROOM ADOPTION BY FINANCIAL-SERVICES COMPANIES

<table>
<thead>
<tr>
<th>Selected Vendors</th>
<th>Clients</th>
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</thead>
<tbody>
<tr>
<td>Centra</td>
<td>Amerique Mortgage, Freddie Mac, Ceridian, Charles Schwab, Goldman Sachs, Legg Mason, Lloyds TSB, March McLellan, Raymond James, Wachovia, Liberty Group, Manulife Financial, Prudential, Royal &amp; Sun Alliance, Standard Insurance</td>
</tr>
<tr>
<td>WebEx</td>
<td>Countrywide Home Loans, FiServe, Full Spectrum Lending, Charles Schwab</td>
</tr>
</tbody>
</table>

Source: SRIC-BI

Key Issues in the Financial-Services Industry

In the next few years, the following issues and developments will shape the organizational and operating characteristics of FSCs and affect their use of eLearning:

- **Globalization.** FSCs will continue to expand beyond their domestic markets into regional and global markets.
- **Consolidation.** Mergers and acquisitions (M&As) have had a significant impact on the financial industry in the past decade and continue to influence market dynamics.
- **Convergence.** FSCs today have a much wider range of products and services to offer their customers than they had several years ago, and the boundaries between financial sectors continue to blur.
- **Investment in and use of information and communications technology (ICT).** The financial industry both drives technology development and relies on technology as an important contributing and enabling force.
- **Innovation and knowledge focus.** Companies achieve competitive differentiation primarily through innovation and creativity, which require a combination of brainpower and strong technology.
- **Outsourcing.** To create maximum value, companies increasingly must focus on core activities. As a result, outsourcing is accelerating across industries.
Globalization

International regulatory bodies for trade and investment did not treat financial services the same way they treated trade in merchandise until the World Trade Organization replaced the General Agreement on Tariffs and Trade in 1994, introducing (in the same year) the General Agreement on Trade in Services (GATS). Because of the pre-1994 lack of protection against discriminatory policies by countries wanting to protect their national FSCs, globalization proceeded more slowly in the financial industry than in many other industries. But this situation changed in the 1990s, when FSCs began to expand into international markets, often through mergers and acquisitions.

According to a study by the Group of Ten (Report on Consolidation in the Financial Sector), acquisitions by foreign firms operating in the same industry (which account for the bulk of acquisitions because cross-border, cross-industry acquisitions are complex and risky) amounted to some $140 billion in the 1990s. One prominent feature of this globalization was significant expansion of Japanese bank and securities firms into the U.S. and European markets—especially at the time when the strong yen boosted the asset base of Japanese institutions and many analysts feared that giant Japanese financial institutions would dominate world financial markets.

Despite the subsequent dramatic fall in the value of the yen and the very poor economic growth that took place in Japan during large parts of the 1990s and that continues today, large U.S. and European FSCs are today relatively stronger and have better financial performance than their Japanese counterparts do. Yet, partly because of a dramatic downturn in the stock markets and weak economic growth in many European economies, many European FSCs have also seen weak performance in recent years and will need some years to return to satisfactory profitability.

Weakness among some players opens opportunities for others, however, and globalization will no doubt continue as FSCs leverage their competitive strengths into new markets. Some of these markets, like Japan and China, will likely begin to allow stronger foreign players to acquire failing or near-failing domestic players. (GATS may also contribute to continued globalization.)

These developments will affect eLearning in FSCs in several ways:

- Globalization will accelerate change in the financial industry as FSCs move into new markets to serve new customers and thereby need more and faster learning. As a result, eLearning will become a more attractive option.

- Globalization will yield larger players looking for synergies and opportunities to cross-sell products and services. Just-in-time access to network-based learning materials (increasingly in granular formats) meets these emerging needs.

- Globalization typically brings or requires culture change, and many organizations will use eLearning both to enable and to support such change.
Consolidation

The 1990s saw a dramatic increase in mergers and acquisitions in most sectors of the financial industry and in most countries, with many cross-border deals. As a result, the industry saw increased consolidation and concentration: More than 7300 deals took place in which a financial firm in one of 13 countries (major OECD economies) became an acquisition target by another firm. The value of these deals was $1.6 trillion.

A high percentage (55%) of the M&A activity during the period, either by number of deals or value, involved U.S. institutions, which were responding to changes in the regulatory framework, technological changes, and intense pressures to reduce costs. The cross-industry transaction volume, in terms of value, was highest during 1997 and 1998. One of the most important and unusual financial deals was the 1998 merger between Citicorp, a bank holding company, and Travelers, an insurance and securities firm.

Although the dramatic increase in M&As and the resulting consolidation during the 1990s may not recur for a long time, M&A activity continues to create larger institutions with greater international operations. The Nordic region continues to see consolidation, and a larger and more integrated European Union (EU) economy (as Eastern European countries join the EU) will no doubt stimulate new consolidation in the EU. EU FSCs in turn are expanding into Latin America and elsewhere, and large U.S. institutions are preparing to expand into Asia, especially into Japan and China (partly by buying up weak domestic institutions, now that more liberal policies permit greater participation by foreign FSCs).

These developments have the following implications for eLearning:

• The larger size of FSCs enables cost-effective use of eLearning resources within organizations. If all employees can access learning resources via an intranet-based portal, the marginal cost of eLearning becomes negligible.

• Larger institutions can gain cost efficiencies by encouraging employees to share best-practice processes. Increasingly, internally generated content that employees or business partners create can be easily accessible via formal or informal eLearning activities. These learning materials are less likely to be in the form of courses than in the form of “information objects” or more advanced “learning objects” (that include specific learning objectives and assessment).

• Firms can use eLearning to build brand and shared corporate culture. The large Dutch organization Internationale Nederlanden Group (ING), for instance, recently developed and deployed a series of eLearning-based modules for this purpose, with great success.

Convergence

Much of the consolidation that took place in the 1990s involved cross-industry M&A, blurring the boundaries between formerly distinct financial sectors (primarily because of changes in national financial regulatory frameworks). The United States has been among the slowest countries to allow cross-sector integration; the Glass Stegall Act has been a major barrier to sector integration.
As the United States has caught up with most of the rest of the world in allowing cross-sector ownership and activity, convergence of different types of financial organizations has continued. Increasingly, any institution will be able to offer a wide spectrum of banking, insurance, and securities products and services. Dramatic progress in ICT is also providing new functionality and lower costs that enable FSCs to reach new markets and customers more cost-effectively than they could in the past and to capitalize on the economies of scale that they have gained through globalization and consolidation activities.

These developments have the following implications for eLearning:

- Greater cross-selling of products and services will require increased training of sales staff, and only eLearning can provide such training cost-effectively for a highly distributed workforce.

- Large financial conglomerates have greater opportunities to leverage best practices—for instance, in customer learning—than do smaller, more narrowly focused institutions, and they can achieve economies of scale by creating high-quality eLearning content for either internally or externally oriented eLearning.

**ICT Investment and Use**

Globalization, consolidation, and convergence have helped drive the development of new ICT to support new activities and larger operations. And increasing use of the Internet and the Web will continue to drive new ICT investments in FSCs. Evidence also shows that banking customers who are intensive users of the Internet (so-called e-customers) are more attractive cross-selling prospects than other customers because they tend to buy a significantly larger number of products from their banks.

Because of the dramatic M&A activity of the late 1990s and into the present, many FSCs face significant challenges in integrating disparate systems and architectures, a fact that creates major opportunities for large technology companies and system integrators that can help modernize, rationalize, and integrate the underlying infrastructure of these large FSCs. Most of these projects also involve a variety of new software applications that are either the creations of specialist vendors or the result of development, customization, or tweaking by internal ICT staffs.

These developments have the following implications for eLearning:

- A new, improved ICT infrastructure enables improved eLearning offerings. A more advanced infrastructure eases access to eLearning materials, and as the capacity of the network increases, developers can use richer, more dynamic media. FSCs that today use costly satellite-based communication and learning, for instance, are shifting to Internet protocol–based networks.

- eLearning can help strategic ICT initiatives succeed. Companies often use eLearning to teach employees how to use the new applications that typically accompany new infrastructure (as banks modernize their retail operations, for instance). (See the case of the Bank of Montreal.)
eLearning and major ICT initiatives can be mutually reinforcing and help create a new corporate culture.

**Innovation and Knowledge Focus**

Although many analysts during the early 1990s foresaw scenarios in which a few gigantic FSCs, particularly Japanese institutions, would dominate world financial markets, developments took a different turn. One lesson that companies learned during this period is that large size is not a necessary and sufficient condition for business success. Innovation and creativity can be equally or more critical success factors (and explain why many U.S. FSCs have done relatively well).

Having a knowledgeable and talented staff with strength in innovation and creativity can help an FSC create profitable new products and services that match evolving market needs. (The Merrill Lynch case describes the company’s special Executive Education program, which the company created with the Massachusetts Institute of Technology (MIT) for high-potential employees.) In addition to generating revenue, innovation and creativity can yield new, cost-effective internal business processes. Because FSCs are highly process oriented, even small improvements in work flows and transaction processing can bring dramatic cost savings that improve overall financial performance. Increasingly, such process improvements come via new systems that combine software and hardware.

This development has the following eLearning implications:

- A wide range of learning resources—and convenient access to these resources—helps attract and retain talent and thus strengthens innovation and creativity.

- Staff members who develop innovative solutions are typically knowledgeable about and comfortable with the Web and are thus good targets for eLearning. As early adopters, this group of employees can help gain strong participation by other employees.

- Corporate cultures that encourage innovation are also likely to “push the envelope” on eLearning solutions and are likely to be early adopters of games and simulation-based eLearning, for instance. Until the meltdown of the stock markets and dramatic cutbacks in staff and budgets at Schwab, the company was a good example of this phenomenon.

**Outsourcing**

In recent years, companies like IBM, Hewlett-Packard (HP), Unisys, Accenture, and Exult have won large contracts to take over large parts of organizations’ ICT, human-resources (HR), and other operations. These deals have involved Barclays Bank, Lloyds TSB, Bank of Montreal, Bank of America, Abbey Life, and others. According to a recent report and survey by Deloitte Consulting, global companies plan to outsource $365 billion of activities to India in the next five years, and banks and insurance companies are transferring offshore such functions as call-center operations, accounting and finance, operations, and administration, in addition to coding and programming.
According to outsourcing consultants at Deloitte Consulting, “there is far more willingness at present to consider outsourcing solutions to strategic business challenges.” And because outsourcing companies have improved their ability to tailor their business propositions to customer needs, outsourcing options are likely to become increasingly attractive to many organizations.

Hosting of eLearning—a topic of several LoD reports (including the eLearning Industry Update 2002)—represents a partial move toward outsourcing, because it removes operation of at least some eLearning content and perhaps of an LMS to a vendor, which assumes responsibility for providing an agreed-upon quality of service. This approach also shifts the risk of technology obsolescence and the high up-front cost of technology investment to the vendor. For these reasons, outsourcing of part or all of eLearning is likely to become increasingly attractive to many organizations, including many FSCs that want to focus their resources and attention on other, core functions. However, other firms will be uncomfortable with this option. For example, the Bank of Montreal could not easily outsource the multifaceted eLearning that the bank offers to its employees.

Increased outsourcing has the following implications for eLearning:

• IBM, HP, Exult, and others will offer increasingly attractive outsourcing options that include comprehensive learning solutions. These offerings will recognize that eLearning is only one element in a wide range of formal and informal learning activities that can help companies maximize the impact of learning on performance.

• A growing number of FSCs will likely test the water of outsourcing by moving some part of their eLearning operations to a hosted approach. Training administration and hosting of nonproprietary course content will be among the first “noncore” activities that FSCs outsource.

• Outsourcing firms may introduce aggressive pricing of some eLearning options to increase the attractiveness of their offerings to organizations looking for cost savings.

BANKING

The banking industry has changed dramatically in the past decade, in the wake of the megatrends that I discuss in the previous section. As a result, banks today face much greater competitive pressures and a faster rate of change than they did ten years ago. Banks also face significant challenges that result from the turmoil in global financial markets in recent years, as well as from poor economic growth in many countries.

To cope with these changes, banks must seek new and innovative solutions to increase revenue growth in existing and new markets while reducing costs—and they must do so in a way that builds stakeholders’ confidence. eLearning programs will have to align tightly with these business imperatives and demonstrate greater cost-effectiveness than do alternative, more traditional, methods if they are to gain top-management support.
Industry Context

After an unprecedented number of M&As in the late 1990s—within and across financial service sectors as well as within and across national borders—the pace has slowed considerably. The large institutions that have emerged from these M&As—which include the dominant players in global banking markets in Table 5 as well as smaller ones that are still large in domestic and regional markets (such as the U.S. “superregional banks”)—will continue to acquire smaller and attractive players when opportunities exist. (For example, in May 2003, Barclays announced that it would acquire Banco Zaragozano in Spain, as a way to break out of the low-growth domestic British market to take advantage of new growth opportunities resulting from EU expansion.) Although some M&A activity will continue, the focus of most banks today and in the next few years will be to digest earlier acquisitions and leverage current assets and operations to improve profitability and valuation and to regain the confidence of investors and analysts—many of whom have lost faith in the past few years.

<table>
<thead>
<tr>
<th>Company</th>
<th>Revenue (Billions of Dollars)</th>
<th>Thousands of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deutsche Bank</td>
<td>66.8</td>
<td>84.8</td>
</tr>
<tr>
<td>Credit Suisse</td>
<td>64.2</td>
<td>80.5</td>
</tr>
<tr>
<td>BNP Paribas</td>
<td>55.0</td>
<td>80.0</td>
</tr>
<tr>
<td>Bank of America Corp</td>
<td>52.6</td>
<td>132.6</td>
</tr>
<tr>
<td>JP Morgan Chase</td>
<td>50.4</td>
<td>95.8</td>
</tr>
<tr>
<td>UBS</td>
<td>48.5</td>
<td>67.6</td>
</tr>
<tr>
<td>HSBC Holding plc</td>
<td>46.4</td>
<td>184.4</td>
</tr>
<tr>
<td>Mizuho Holdings</td>
<td>41.4</td>
<td>—</td>
</tr>
<tr>
<td>Fortis</td>
<td>40.5</td>
<td>66.2</td>
</tr>
<tr>
<td>ABN AMRO Holding</td>
<td>39.7</td>
<td>110.0</td>
</tr>
</tbody>
</table>

Source: Insurance Industry Institute; OneSource; Yahoo Finance

The profitability performance and market valuation of banks and bank holding companies are mixed. Banks in Japan and Germany, for instance, have been suffering from poor performance—partly because of anemic economic growth in their domestic markets—but many banks in other countries have also had a mixed performance record (Table 6 shows recent results from selected U.S. banks).
Table 6
FINANCIAL PERFORMANCE OF SELECTED U.S. BANKS

<table>
<thead>
<tr>
<th>Company</th>
<th>Sales</th>
<th>Profitability</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>12 Months of 2002</td>
<td>Change from 2001</td>
</tr>
<tr>
<td></td>
<td>(Millions of Dollars)</td>
<td>(Percent)</td>
</tr>
<tr>
<td>Wells Fargo</td>
<td>28 473</td>
<td>6</td>
</tr>
<tr>
<td>Wachovia</td>
<td>23 591</td>
<td>5</td>
</tr>
<tr>
<td>Bank of America</td>
<td>45 732</td>
<td>–13</td>
</tr>
<tr>
<td>Bank One</td>
<td>22 171</td>
<td>–1</td>
</tr>
<tr>
<td>CitiCorp</td>
<td>92 556</td>
<td>–7</td>
</tr>
</tbody>
</table>

Source: Standard & Poor's 500; Business Week

If weak financial performance continues, it will impede banks’ ability to make major, new investments in eLearning, including investments to install LMSs and LCMSs for enterprisewide deployment. However, for banks that have already installed the necessary infrastructure, replacement of more costly classroom and instructor-led training with learner-directed, self-service eLearning at relatively low marginal cost will be attractive even in the face of tight budgets. But even in difficult economic times, banks must generate new revenue and thus will require training in sales and marketing, for instance. Success with cross-selling and efforts to increase revenue per customer will also require investments in sales and other training or in better online customer education.

The following developments and issues will also affect the pace of eLearning adoption in the banking sector:

• The evolution of online financial services. Today, a relatively small percentage of financial services have migrated to the Internet. However, the Internet is becoming an increasingly important marketing, sales, and distribution channel—as well as a key channel for communication and training of channel partners—so banks must become smarter in leveraging this technology if they are to succeed in the long term. For years, banks imposed fees on customers who wanted to take advantage of online banking, but banks now recognize the folly of this approach and are using various schemes to lure customers online for bill payment and other services. By doing so, banks hope to raise customer loyalty, lower transaction and customer-service costs, and increase cross-selling. But recent moves by nonbanking organizations like Schwab (which in early 2003 announced that it would offer cut-rate home mortgages online) and USA
Interactive (whose recent acquisition of LendingTree.com will allow consumers to buy real-estate–brokerage services and mortgage services easily and cheaply online) will threaten the profitable business of Wells Fargo and other banks. Banks that develop an integrated, long-term online strategy that includes eLearning will have the greatest long-term success.

- **Investments in banking-technology infrastructure.** Especially because of the frantic pace of M&A activity in the late 1990s, many banks are still struggling to connect isolated islands of technology and to replace obsolete technology. Integration and upgrading of infrastructure are thus major and ongoing efforts at most banks. When senior management recognizes the potential role of eLearning in these major, strategic initiatives, the role of eLearning can take a dramatic turn. With effective eLearning programs, banks can quickly and cost-effectively deploy and train the highly distributed staffs that need to use the new systems and applications that will roll out regularly, either as “new and improved” versions of existing applications or as brand-new applications. Forward-thinking management may also see the potential of eLearning to help change the corporate culture, moving away from the traditional conservative, low-technology, slow-moving culture (that many banks admit exist in their organizations) toward one that allows more innovative and rapid change through the use of technology.

### eLearning Adoption and Practices

Given both the size (in financial assets, number of employees, and geographic reach) and dynamic growth of the banking industry during the 1990s, growing deployment of eLearning in banks is not surprising. Citibank, Deutsche Bank, Bank of Montreal, ABN AMRO, HSBC, Wachovia, Royal Bank of Canada (RBC), Barclays, Bank of America, and many others increasingly use generic courses for desktop-application and other IT-related training, including simulation-based training for desktop applications (through eLearning developers like X.Hlp). FSCs also use a variety of soft-skill training in general business and management topics, but particularly in sales and customer service. As Table 2 shows, many developers have also created banking-specific courses. Finally, many banks have worked with content developers to create custom eLearning solutions. In some banks, a large share (75% in some organizations) of course content is custom made, by organizations like DigitalThink (serving Citigroup and Deutsche Bank, for instance), EPIC (creating eLearning courses for Royal Bank of Scotland, Barclays, and others), and ICUS (an eLearning developer whose headquarters is in Singapore but that has an office in London, England).

Most eLearning in banks so far has targeted employee training, including general training, compliance-related training, and customer-service training for call-center staffs. (SmartForce—now part of SkillSoft—was among the first vendors to create content solutions specifically for call-center training). Banks have extensive compliance-training needs, and numerous eLearning vendors have targeted this market niche. WBT Systems, which offers eLearning systems that enable customers to convert legacy content into
eLearning cost-effectively, has had success in this area. In April 2003, Thomson Corp, the parent of NETg (a major eLearning-course developer), announced that with content expertise from Sheshunoff, it has created compliance-driven anti-money-laundering and antifraud eLearning courseware. ICUS also targets the compliance-driven training needs of banks and other FSCs around the world. In areas in which rapid staff turnover is a problem—such as in call centers—eLearning training is a particularly cost-effective solution. The most advanced training in such centers now embeds small learning modules into the work flow to maximize links to work tasks and to minimize the disruption that training and learning can cause.

In Europe, Barclays and Lloyd’s in the United Kingdom, Nordea and Sampo (growing financial institutions whose reach is expanding beyond Sweden and Finland), and other FSCs in the Netherlands and other countries in the EU are also increasing their use of eLearning. A similar picture exists in Australia and in the Asia-Pacific region, including Tokyo Mitsubishi Bank’s use of eLearning to provide preemployment training to college graduates before they start working for the bank. (In general, however, eLearning has gained less penetration among Japanese banks than in Europe and other Asia-Pacific countries.)

eLearning is starting to extend beyond internal training to customer education and learning. Some interesting developments in recent months may be leading indicators of events to come in the next few years. For example, significant changes may occur in consumer financial services. As Figure 5 shows, three “new entrants” in particular are now challenging more traditional players:

- **ING Direct.** ING is not well-known in the United States because it is a relatively recent entrant into the U.S. marketplace (as a result of acquisitions in the late 1990s and the past few years). ING has expanded and seen significant success with its ING Direct, which offers consumers high-rate, simple-to-understand savings products through online and telephone marketing. The offerings are also low cost because ING Direct has no physical infrastructure to operate and maintain. Recently, ING, in collaboration with Time Warner, built a new Web site, ING MoneyMentor, which provides customer education about financial matters in an untraditional way, using entertainment content (from Time Warner). ING’s banking operation, its focus on online customer “edutainment,” and its collaboration with Time Warner (the result of a $30 million marketing deal with America Online to build ING’s brand image in the United States) make for an interesting and innovative approach. This strategy may make good sense for ING, given that it has operated its ING Direct operations successfully for six years in seven countries; now serves more than 6 million customers, from whom it has collected €70 billion in savings deposits through ING Direct; and aims to build greater brand and name recognition in the U.S. financial market. Banks and other FSCs, as well as other “nontraditional” players—such as Yahoo, which has been building up its online financial presence—will no doubt watch both ING Direct and ING MoneyMentor carefully as well as USA Interactive Network’s and Charles Schwab’s innovative approaches to consumer financial services.
USA Interactive. Through a series of acquisitions in recent years, Barry Diller (formerly chairman of Paramount Pictures and a well-known figure in the entertainment industry and the media world) has moved from traditional media into the online world and now has the following companies as part of an emerging electronic-commerce powerhouse: Home Shopping Network, TicketMaster, CitySearch, Match.com, Evite, Expedia, Hotels.com, and LendingTree. With the recent $734 million acquisition of LendingTree, Diller is positioning USA Interactive to move beyond the current focus on online mortgages to cross-sell a variety of other consumer financial services. Also, given his entertainment background and strong marketing expertise, he could follow the lead of ING and introduce innovative eLearning solutions that target online consumers.
Charles Schwab. In April 2003, Charles Schwab announced that it wanted to shake up the mortgage lending market and offer consumers low-cost online mortgages at a fixed $500 price—leveraging its experience as a discount stock brokerage into another segment of the financial industry. Interestingly, as I discuss in the securities section of this report, Schwab has also been a leader in customer-focused eLearning. Using the Web to educate customers about financial issues was a logical extension of the company’s eLearning activities, given its strong focus on and understanding of the Web.

Figure 7
INTENSIFYING COMPETITION IN CONSUMER FINANCE

Established and Traditional Players: Banks

Consumer Financial Services
- Financial Information
- Investments
- Banking
- Credit
- Insurance

New and “Nontraditional” Entrants
- ING Direct
- Charles Schwab
- USA Interactive

Source: SRIC-BI
Case Examples

Because of their large size and dominance of the U.S. marketplace in eLearning, U.S. financial institutions gain the most attention both on the conference circuit and in the eLearning literature. Many early eLearning adopters exist in other countries, however, and Canada and the Nordic countries are the home bases of many banks that have implemented interesting and innovative eLearning programs. The following sections describe the eLearning programs of three banks in these countries.

Royal Bank of Canada and Bank of Montreal
Canada has long been at the forefront of technology-based distance learning, and Canadian financial institutions, following the lead of the “Big Five” (see Table 7), have predictably been among the early adopters and strong supporters of eLearning in the global financial industry. The similar characteristics of the top Canadian banks—a landscape that would be significantly different if the Competition Bureau of Canada had not opposed the merger of Royal Bank of Canada and Bank of Montreal in 1998 (caused by its general opposition to mergers among large players)—may drive their interest in learning (and eLearning), as a way to create differentiation among these close competitors.

<table>
<thead>
<tr>
<th>Bank</th>
<th>Profit (Billions of Canadian Dollars)</th>
<th>Revenue (Billions of Canadian Dollars)</th>
<th>Number of Employees</th>
<th>Market Valuation (Billions of Canadian Dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Royal Bank of Canada</td>
<td>2.762</td>
<td>23.2</td>
<td>59 770</td>
<td>36.197</td>
</tr>
<tr>
<td>Bank of Nova Scotia</td>
<td>1.797</td>
<td>18.3</td>
<td>44 633</td>
<td>23.129</td>
</tr>
<tr>
<td>Bank of Montreal</td>
<td>1.417</td>
<td>13.1</td>
<td>33 912</td>
<td>18.764</td>
</tr>
<tr>
<td>Canadian Imperial Bank of Commerce</td>
<td>0.653</td>
<td>17.1</td>
<td>42 552</td>
<td>13.914</td>
</tr>
<tr>
<td>Toronto Dominion Bank</td>
<td>–0.076</td>
<td>16.68</td>
<td>44 817</td>
<td>18.942</td>
</tr>
</tbody>
</table>

* Fiscal year ending October 2002.

Source: OneSource; Globeinvestor.com; SRIC-BI
In the mid- and late 1990s, the Royal Bank of Canada helped set a progressive and enlightened approach to learning that other Canadian banks have since leveraged into their own, unique learning approaches. RBC’s learning and training policy has the following elements:

- **Integrated solutions.** RBC treats learning as a business issue and puts learning in the context of business problems and opportunities.

- **Self-directed learning.** Competency models focus attention on critical areas, and employees manage their own learning, choose among a variety of options (eLearning is one of many alternatives), and make learning part of their personal-development plans.

- **Accessibility in the workplace.** At RBC, a personal learning network (PLN) has enabled access where, when, and as often as employees need it. The PLN provides access to computer-based and multimedia learning activities and personalized, competency-based learning maps.

- **New paradigm for learning.** RBC’s learning architecture (see Figure 8), reflects a methodical approach to learning and training (that is still missing in many organizations in other parts of the world).

- **Learning at all levels of the system.** Learning reaches from the individual (encouraging continuous learning) to teams (encouraging collaboration and team learning) and to the whole organization (establishing systems to capture and share learning and empowering people to contribute to a collective vision).
Bank of Montreal has the lowest revenue of the Big Five but is one of the leading practitioners of learning and eLearning among global financial institutions. Not only is the bank deploying eLearning aggressively—expecting to triple the amount of eLearning in a five-year period (as a percent of total learning)—but it also has a wide range of formal and informal learning activities that leverage technology (see Table 8). Most important, perhaps, is the vote of confidence that the eLearning team enjoys under the leadership of Malcolm Roberts and the bank’s senior management. Malcolm Roberts, director of Learning Solutions, BMO Financial Group, Institute for Learning (IFL), attributes this situation to the following:
• Addressing key strategic business initiatives of the bank’s business units. BMO Financial Group believes in optimizing its investments in technology through learning and performance support—a belief that it developed over many years in part through the strong partnership that exists between BMO’s IT group and the IFL. The partnership is evident, as a general example, in the collaborative development of technology applications that ensure a focus on usability and end-user learning and support, and as a specific example, in the presence of the IFL as a key partner in the Pathway Connect project, a strategic initiative for the enterprise and the largest technology program ever at BMO Financial Group. Pathway Connect is the innovative technology and business solution that is transforming BMO Financial Group’s retail banking division, giving the 16 000-person workforce in 1300 locations and different time zones sales and productivity tools to provide exceptional customer service to the Bank’s 6 million personal and commercial customers in Canada. It replaces the Bank’s multiplatform branch IT “infrastructure with Windows 2000,” and it introduces new financial-processing applications and workflow efficiencies—both to facilitate a consistent customer experience. Pathway Connect is also the bank’s most ambitious technology project, with an aggressive implementation rate five times faster than any previous implementation. It is rolling out to many lines of business, each with its own learning needs. The successful learning program, in both English and French, has many key elements:

— A program structure of four distinct phases matched to the receiving unit’s implementation stages: preconversion, conversion, and postconversion, as well as sustainment for future learners after implementation

— Specific performance outcomes at each stage for each primary-line-of-business family, focused on both e-literacy and the business application, the latter within a sales context

— An employee certification structure

— A dedicated “Learning PC” in each unit and local (area) learning leaders

— Learning and performance support materials to optimize the use of both the media and the available time and infrastructure, based on the Web, CD-ROM (often delivered together as a hybrid solution, leveraging the benefits of each), print, video, synchronous virtual classrooms, and local face-to-face classrooms

— Testing, self-assessment and learning plan tools, both online and print based.

All learning is for repurposing for use by other units or in future sustainment efforts. The learning team was to design, develop, and deliver its program and meet the aggressive timelines and also to structure itself to deliver the learning necessary for anticipated but unknown tools and applications that developed during the implementation. Having a permanent seat at the senior project leadership table was key in gathering information and in influencing decisions around learning or technology infrastructure to support learning delivery.
Table 8
BANK OF MONTREAL LEARNING PROFILE

<table>
<thead>
<tr>
<th>Feature</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual eLearning budget (millions of</td>
<td></td>
</tr>
<tr>
<td>Canadian dollars)</td>
<td>Approximately 70 per year</td>
</tr>
<tr>
<td>Hours of learning per employee per</td>
<td>50 (for 2001 and 2002)</td>
</tr>
<tr>
<td>year</td>
<td></td>
</tr>
<tr>
<td>Human-resources (HR) and learning</td>
<td>Outsourcing to Exult Inc., including an LMS from Docent</td>
</tr>
<tr>
<td>administration</td>
<td></td>
</tr>
<tr>
<td>Learning program</td>
<td>Centralized organization but strong focus on business-unit needs; wide</td>
</tr>
<tr>
<td></td>
<td>range of formal and informal learning activities and resources</td>
</tr>
</tbody>
</table>

Source: Bank of Montreal; SRIC-BI

- **Proving satisfactory return on the bank’s learning investments.** BMO’s commitment to learning was already evident in the early 1990s, when the bank commissioned the construction of a showcase learning facility—the Bank of Montreal Institute for Learning—at a cost of $50 million (Canadian dollars) in 1993. With this building and its modern classroom facilities, BMO has excellent facilities for the classroom-based and instructor-led learning that many learners favor, at least for certain types of learning activities. (For face-to-face learning, IFL has wired and equipped 12 classrooms with audiovisual, computer, and telecommunications technology. The facility has 8 role-playing rooms with video-playback equipment and 20 breakout rooms for discussions and projects involving small teams.) A recent in-depth “value assessment of learning”—a fact-based assessment that included workforce needs, learner participation, curricula, distribution channels, investment, accountability, and management information—took place at the request of the head of HR on behalf of the bank’s chairman and his senior executive committee. It concluded that the investment in learning at BMO aligned completely with the business of the bank and its strategy. The senior management of the bank sponsors and champions the learning programs and is supportive of continuing the bank’s strategic investment in learning. (Interestingly, the head of HR at BMO is also the head of strategic management at the bank and a member of the bank’s senior executive committee, indicative of higher and more strategic positioning of HR in BMO than in many other organizations).
BMO’s learning and eLearning initiatives have the following interesting features:

- **A relatively centralized learning operation.** BMO’s strategic choice of relative centralization of its learning programs contrasts with a more decentralized approach—where the learning function and operations are in the business units—in some other financial institutions. But strong communication with and linkage of learning programs to the business units and to their strategic business initiatives ensure that BMO’s centralized strategy continues to work well.

- **Use of eLearning in multiple locations and for multiple objectives.** eLearning at BMO takes place at work, away from work, or in the actual work itself. The bank’s eLearning also serves a range of applications, from prescriptive training (through courses) to more performance-driven learning and performance support, often tied to specific applications that find use at the bank.

- **A focus on the upper parts of Bloom’s taxonomy.** Benjamin Bloom created a taxonomy to categorize levels of abstraction of questions that commonly occur in educational settings. In the early phases of eLearning, most organizations focus on the first three levels of Bloom’s taxonomy: knowledge, comprehension, and application. However, the BMO eLearning team is now moving toward using eLearning for the upper three tiers of Bloom’s taxonomy: analysis, synthesis, and evaluation. The team is also in the process of building a good working knowledge of issues relating to learning objects and object repositories and is examining how to align such efforts with the bank’s use of eBusiness and ePortals. The learning team has examined the LCMSs that are currently available but is not yet comfortable recommending any currently available platform for enterprisewide use at the bank.

- **Standards and benchmark development.** The BMO learning team has developed a set of standards and benchmarks to help set expectations. The team has created 44 job- or role-specific standards, seeking to avoid generic standards that are not useful at the job level. eLearning standards are also under development for the delivery of learning as well as for user-friendly experiences.

- **Movement from custom to off-the-shelf content.** Currently, most of BMO’s learning content is custom made, and the bank expects to reduce this amount significantly in the next three years as eLearning becomes more of a commodity.

- **Best-practice guidelines.** The team is examining eLearning practices across the industry and evaluating their relevance to current and future needs. It is also looking for the templates and tools that align most closely with the bank’s learning needs and technology infrastructure.

- **Pilot hybrid leadership program that includes use of the Blackboard platform.** BMO’s program will use an embedded collaboration tool that is part of the Blackboard platform. The hope is that the activities generated by participants using this tool when accessing learning materials will extend beyond the duration of the formal course program into communities of practice supported by the IFL.
• **eLearning accessibility.** BMO places high priority on making all learning resources accessible to employees with disabilities, and the bank has several programs and initiatives in this area, which it funds with a central accommodation fund. BMO’s definition of accessibility focuses on an employee’s ability to complete a course and all its components independently. The bank is also working with and positioning itself to influence its vendors to address the issue of accessibility.

Another interesting and multifaceted part of BMO’s learning program is its kCafé (see Figure 9). This initiative serves as a bridge between eLearning and knowledge management and integrates formal and informal learning. kCafé seeks to:

• Provide a practice field for knowledge work, including sharing, building, and creating knowledge
• Use the facilities of the kCafé in IFL courses and learning events
• Model BMO’s best knowledge resources, tools, and practices
• Create an enterprisewide “commons” that connects people and ideas and showcases knowledge work across BMO
• Accelerate general electronic literacy and eLearning practices
• Embed knowledge work in everyday practice with online collaboration tools
• Integrate essential people, process, and technology elements into the design of group “knowledge palettes”
• Provide dynamic, continuously ever-greening BMO knowledge assets through internal partnerships.
Figure 9
BANK OF MONTREAL’S kCAFÉ

Links to Bank’s Intranet/Knowledge Resources
- Repositories, Directories, and Databases
- Product/Process Information and Business Intelligence
- Expert Management Systems
- Lines-of-Business Knowledge Webs
- Search Engines
- Downloadable Software

Knowledge Resources and Tools

Showcase of Bank Knowledge Assets

Updates on Bank Activities
- Multimedia Displays That Highlight Current and Future Knowledge Activities and Tools
- Electronic-Business Strategy
- New Products
- Cases

Links to eLearning and Curriculum
- Electronic Literacy
- Effective Teams
- Project Management
- Online Communication
- Knowledge Management
- Product Training

Learning Links for Metaknowledge and Skills

K-Work (Knowledge Work) Environment
- Collaboration
- Rich Knowledge
- Web-Enabled

Institute for Learning Site
- Enterprisewide Hub: Convergence of People, Information, Learning, and Technology in Everyday Practice
- Dynamic, Flexible Site Design, Virtual-Meeting Tools and a Center for Engineering Custom Knowledge Palettes: Ability of Employees to Connect and Share and Create Knowledge in Their Everyday Work

Source: Bank of Montreal
eLEARNING AT DEUTSCHE BANK

Deutsche Bank (DB) grew rapidly in revenue and size during the 1990s and is the largest bank in the world. However, like other financial institutions in Germany (and elsewhere), it has turned in unsatisfactory financial performance in recent years. This situation is common to many large and successful companies, and in many ways, DB’s experience is similar to that of the high flier Cisco. A 7 May 2003 headline in the Wall Street Journal captures the dramatic turn from the 1990s: “A Go-Go Giant of Internet Age, Cisco Is Learning to Go Slow: Once Focused on Acquisitions, Hiring, Network Gear Firm Tackles Duplication, Waste.” Hard times have forced Cisco to find major savings in various parts of its operation, and net income is improving as a result, while overall revenue is down significantly. Another consequence of this turn of events is a new, small group, Learning Strategy & Development Group, which Cisco set up to streamline its learning operations. The group aims to avoid duplication and waste, set common standards where appropriate, and cut back on the number of vendors to gain cost efficiencies in procurement.

Like Cisco, DB realizes that the current business and financial realities require new solutions and that the waste of the 1990s cannot continue. Key elements in DB’s eLearning situation include:

- **New focus on streamlining and consolidating eLearning systems and components.** DB expects this organizationwide effort not only to yield significant cost savings but also to simplify integration of systems across the organization and thus to provide easier access to learning materials from any part of the organization. Currently, the bank has too many systems with little connection to one another. DB is also consolidating eLearning content—some 85% of which the bank buys off the shelf (in sharp contrast to Gjensidige NOR)—by cutting back on the number of suppliers.

- **Improved communication among eLearning and systems managers.** DB has created a task force with dedicated personnel from each division worldwide. Once a month, members participate in a conference call to discuss the issues on an agenda they have developed. As a result, for the first time, management has a complete picture of DB’s eLearning activities around the world, enabling the bank to avoid new redundancies and streamline current operations. A more centrally driven strategy has emerged from this effort, but with input from all the bank’s business units, which often have different needs. (DB’s retail-banking needs in Germany are typically different from those of its investment-banking operation in New York.) Other large German financial institutions face many of the same issues, operating with multiple learning-management systems and having decentralized operations and uncoordinated eLearning operations; one large German bank has two eLearning teams. However, this situation is certainly not unique to German institutions: Some of the large technology companies in Silicon Valley have many highly autonomous and uncoordinated training operations that use different systems.

- **A new learning and development division, with a newly appointed chief learning officer.** DB’s new unit is responsible for all training worldwide and will incorporate DB’s corporate university. This organizational change could greatly improve eLearning coordination and collaboration across DB’s business units.
eLEARNING AT DEUTSCHE BANK—Concluded

• **New strategies and policies for content pricing.** Like many other companies, DB entered into expensive (fixed-price) contracts for access to a large content library only to find that these contracts (for which DB paid $100,000 to $1 million) resulted in a high cost per user because of a lower-than-expected number of users. To avoid this situation, and given the improved bargaining power of buyers, DB now insists on “risk-sharing contracts” or use-based pricing models (see the Learning-on-Demand Program report *The Changing eLearning-Content Marketplace: Implications for Buyers and Vendors*).

• **Greater interest in hosting and outsourcing options.** DB is looking at hosting and outsourcing options with much greater interest today than it has in the past. It sees these options as a way to find cost savings, increase the bank’s flexibility, avoid the risk of technology obsolescence when buying and installing new technologies, and minimize the burden on the bank’s information-technology staff.

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**Gjensidige NOR**

In line with the consolidation worldwide in the 1990s, Gjensidige Insurance and Sparebanken NOR merged in 1999 to form Gjensidige NOR (GN), Norway’s second-largest financial conglomerate. In February 2003, the boards of directors of GN and Norway’s largest bank, Den norske Bank (DnB), voted to merge to create Norway’s largest financial institution—in part to have the resources and competitive strength to hold off aggressive financial institutions in Finland and Sweden that are looking to expand in the Nordic region. Such regional consolidation is a natural progression for institutions planning to be key players in the “new EU” (which, after the addition of a number of Eastern European countries, will open new opportunities for strong and innovative financial players).

The eLearning story of GN (primarily on the banking side of its operations) illustrates that eLearning success is not exclusive to large, global players (able to capture significant scale economies through eLearning). Relatively small players can also do well as long as they have strong strategic focus and clear objectives (before the pending merger with DnB, GN had only some 5000 employees and $300 million in revenue (2002 operating income, using the exchange rate of Nkr7.9 to $1). Table 9 shows the key characteristics of GN’s eLearning program.
### Table 9
**PROFILE OF GN’S eLEARNING PROGRAM**

<table>
<thead>
<tr>
<th>Feature</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>LMS</td>
<td>A small Norwegian firm built an LMS to Gjensidige NOR’s (GN’s) specifications. The system has worked well, but GN now needs a new system.</td>
</tr>
<tr>
<td>eLearning as percent of total learning (estimated)</td>
<td>In 2002, eLearning accounted for 30% to 35% of learning (but 100% of all new learning).</td>
</tr>
<tr>
<td>HR context for eLearning</td>
<td>GN has a strong competency-mapping orientation that has been very successful. (All line jobs—2500 of some 4000 employees—have job descriptions and competency requirements. Every year, employees participate in gap analysis as part of their personal-development planning. Employees, management, and unions are very supportive of these efforts.) Today, the company is developing eLearning programs only.</td>
</tr>
<tr>
<td>eLearning use</td>
<td>In 2002, 3596 of GN's 4000 employees participated in eLearning. The company had 50 528 enrollments in 2002. In the first four months of 2003, GN had 9194 enrollments and 1641 users.</td>
</tr>
<tr>
<td>Content development</td>
<td>GN develops all content in-house using internal staff. Some 140 courses were available in 2002.</td>
</tr>
<tr>
<td>Home PCs for learning</td>
<td>Some 30% of employees have bought or leased PCs through a GN program (taking advantage of a Norwegian tax provision that reduces the cost 45% through tax savings). Employees must complete a computer competency exam to participate in the program.</td>
</tr>
<tr>
<td>Learning Garden</td>
<td>GN’s Learning Garden is a blended model that provides a unique physical layout for team- and project-based learning, with support from an online platform and a variety of collaboration tools.</td>
</tr>
</tbody>
</table>

Source: Gjensidige NOR; SRIC-BI

As Table 8 shows, one notable feature of GN’s eLearning program and experience is the participation by virtually everyone in the company. Although the eLearning literature decries high drop-out rates and unsatisfied learners in many companies, GN is meeting the learning needs of its employees and reporting high satisfaction. This situation is particularly interesting in view of the recent joint LoD-ASTD survey on the quality and effectiveness of eLearning (see http://www.sric-bi.com/LoD/summaries/QEelearning2003-04.shtml ), which reveals that European and Asian eLearners are less satisfied with eLearning than is the average U.S. eLearner).

The following aspects of the GN eLearning program may also help explain why the program has been so successful:

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• *Evolving goals.* After initially seeking to reduce the costs of training and development, GN has adopted goals at three levels: Its short-term goal is to make employees more productive; its ongoing goals are to provide more effective learning and to develop the new competencies that GN needs (which calls for developing new learning processes and arenas); and its long-term goal is to foster employees’ personal development.

• *GN’s definition of competency.* GN defines competence as “the ability to take action in the context of work,” which requires three elements: knowledge, attitude, and skills (Figure 10 shows GN’s view of the learning methods that support the three elements of competence). eLearning can affect all three elements, albeit to differing degrees. The bank’s intranet does not allow use of rich media content, so it uses simple, low-bandwidth simulations. Until 2002, GN did not track online learning activities, focusing instead on tests to determine whether learners had learned and could apply the knowledge they gained.

• *LMS decisions.* When GN looked for an LMS in 1998, it found no system that met its needs at an acceptable price. Systems on the market were too big and costly for GN’s needs and budget, and the systems did not allow for the pedagogical quality that GN sought. The bank therefore decided to use a small Norwegian developer to create an LMS to GN specifications (the vendors that bid for the contract provided a wide range of cost estimates, and GN went with a vendor near the bottom of the cost range). The resulting system has exceeded expectations, and the small vendor not only met project specifications and timeline, but its project team was highly skilled and worked well with the GN team to complete the job. The vendor has since built on and expanded this product into a commercially available LMS. However, GN’s needs have now evolved, and the current system does not scale up sufficiently. Given the current products on the market and the effort necessary for custom development, the GN team has concluded that the next LMS for the company will likely be a commercially available product (perhaps with some customization). GN is currently replacing its old HR-management systems (because of its need to change its wage and personnel-management system), so it will also need to replace its competency-management system (causing some concern within GN because the functionality of the new off-the-shelf system is not quite as strong as that of the old system). All these system changes—HR, wage and personnel management, competency management, and eLearning management—are interrelated and thus create difficult trade-offs.

• *Well-defined and clear eLearning strategy from the start.* The GN eLearning team was very clear about the tools and methods GN should use and about the short-term and long-term objectives of the company’s eLearning program. The strong strategic vision and plan are partly responsible for GN’s receipt of several awards for best corporate eLearning deployment in Norway.

• *A sudden transition to eLearning.* In sharp contrast to the more conventional gradual and smooth transition to eLearning, GN decided in 1998 to stop developing any new traditional classroom-based courses and focus all new course development on eLearning. With a strong internal development team, whose members were knowledgeable about Authorware and other authoring tools, the company was able to create all the courses it needed internally.
• **Increasing use of modules, objects, and strong search capability.** The GN eLearning team is already beginning to use smaller modules that allow learners to take a nonlinear approach to the learning materials. Learners’ key objectives are to learn and then demonstrate their new learning through tests at the end of a course. The number of courses, modules, and learning and knowledge objects—which also come from informal learning activities, such as those in the “learning garden” (see below)—continues to grow rapidly at GN. Thus, the next system upgrade must have a strong search capability. This requirement will become even more important after GN merges with DnB, when the number of employees and learners will jump from 5000 to more than 12,000.

• **Team-based learning in a “learning garden.”** GN developed the learning-garden concept—a physical space where a variety of learning-related activities, using both face-to-face and eLearning tools and technologies, can take place—in collaboration with the Norwegian company Learning Network (now part of the Research and Educational Network of the Norwegian Trade Council). GN developed part of the concept internally and purchased some components from Creative Learning Center.
Among the technologies that find use in the learning garden are MindManager and SmartBoard. GroupSystem, a collaborative technology platform, supports online collaboration. These learning processes and technologies have found strong acceptance, and GN even uses them with customers—in the codevelopment of new product and service ideas, for instance.

Especially for a relatively small organization, GN’s high degree of self-reliance and clear idea of how to accomplish the organization’s goals—in addition to the quality and popularity of the program, with perhaps unprecedented high use numbers—makes it one of the more interesting eLearning cases not just in Europe but anywhere. The merger with DnB will open interesting opportunities both for the eLearning team and for the organization as a whole. If GN and DnB can successfully scale GN’s eLearning program and experience to their new organization, they are likely to see benefits not only in human-capital development but also in longer-term financial success.

CUSTOMER-EDUCATION PROJECT FOR ELECTRONIC BILLING

Object-based eLearning approaches could dramatically change eLearning, improving the design and production of content and enabling true learning on demand. In an object-based scenario, users could access highly granular learning content, in the form of learning objects, and also enjoy content that companies customize and personalize on the fly to match their specific needs as well as other parameters of their profiles, including learning style and preference.

The Online Courseware Factory (OCF)—where Charles Jennings worked before joining Reuters to head its training and eLearning group (see the box on page 61)—is an eLearning consultancy, systems-integration, and services company that has long had a strong object orientation. This box describes how OCF conducted an object-based and electronic-business (e-business) eLearning project for a global financial company (that requested anonymity). The project illustrates the fact that close alignment with strategic e-business projects is one way for eLearning to find compelling applications and demonstrate value.

Business Need and Context

OCF’s client is a global financial institution (hereafter, “the bank”) in the process of rolling out a new electronic-billing (e-billing) financial application worldwide. The bank recognized that eLearning could help it:

- Use education to drive customer success and reduce customer-support costs
- Scale education delivery far better than any alternative approach could
- Bring users of the financial application up to speed quickly.
CUSTOMER-EDUCATION PROJECT FOR ELECTRONIC BILLING—Continued

The bank wanted the eLearning solution to be role based (targeting specific user types and tasks), task oriented, and easy to rebrand, repackage, and update for specific customers of the financial application. From the beginning, the bank had planned for further releases of the financial application to include an upgrade to the eLearning solution. The key project requirements were:

- Near-zero customer-support costs
- Role-based online training and embedded support
- Customer-specific branding at minimal cost
- Easy updating and repackaging
- Reusability for internal training
- Low maintenance costs and a future-proof design.

At the start of the project, the bank did not recognize or understand the kind of processes and infrastructure that a content-development partner should have. It also hadn’t considered any of the postdevelopment issues of how and where the bank would store the content, how it would rebrand and distribute content to its customers, and so on. The project was under the leadership of the product team for the financial application, and this team had no experience commissioning eLearning and no access to the necessary expertise.

The Approach

OCF offered the bank a managed-service approach to content development in which OCF provided the people, processes, and tools to define, design, develop, deploy, maintain, and update the learning content. With this approach, the bank would have a way to store, reuse, and update all the assets of the eLearning product without having to invest in people, process reengineering, and technology. Thus, the bank could reduce its risk and cost considerably while benefiting from sound instructional design, access to processes that support object-based content production, and smart technology.

OCF brought together a team of subject-matter experts from the bank and OCF instructional, content, and media designers who worked predominantly in OCF’s distributed Web-based learning-content–production environment, iPerformance. Through participation in this team, the bank not only saw the content-development processes and outcomes but also gained a feeling of control in a business area with which it was unfamiliar. The ability to see and comment on each asset during its definition, design, and production was a powerful benefit.

The eLearning product resulting from this effort was a success, meeting time, quality, and cost requirements. The bank ended up with a repository of eLearning assets and the design parameter behind those assets, as well as structured processes for on-demand rebranding, repackaging, or updating training modules or the whole product.
CUSTOMER-EDUCATION PROJECT FOR ELECTRONIC BILLING—Concluded

Lessons
The bank adapted quickly to OCF’s content-development processes, requiring less education and support than OCF expected. The project members from the bank (because they were familiar with technology products) were comfortable working in a Web-based learning-production environment, recognizing that this approach would save time and effort for busy subject-matter experts.

The bank has not yet fully leveraged the value of reusing the learning objects for performance support within its financial application. In part, this fact reflects slower customer takeup of the financial application than the bank anticipated, as well as the absence of a commercial requirement for the software company (developing the financial application) to embed these objects in the application.

The content-development process would have been much shorter if OCF could have dealt directly with the software company, gaining access to functional descriptions of the application rather than poor-quality physical training manuals. The bank wasted both time and money in developing training manuals: A more holistic approach could have captured the procedural and task requirements directly from the software company and translated these requirements into a “content map” to guide the production of manuals, eLearning, and performance support.

INSURANCE

Like other FSCs, insurance companies are increasingly becoming e-businesses, basing more and more of their internal and external (customer- and business-partner–facing) processes on Web technologies. Insurance companies are also typically highly diversified, offering a range of products and services and serving multiple markets, and they are becoming more so as they become part of large financial conglomerates. Amid these changes, eLearning is likely to become an increasingly important part of the learning activities of insurance companies in the next few years.

Industry Context

Like the banking industry, the insurance industry saw dramatic M&A activity in the 1990s. This activity peaked in 1998, when companies clinched deals worth $56 billion in the United States (a figure still far behind the $265 billion worth of banking M&A in the same year) and declined to only $1.2 billion in 2001. Even with considerable industry consolidation, only one U.S. life-insurance company is in the global top ten, though four firms qualify on the property/casualty side of the business (see Table 10). (Two U.S. companies have made the list of the top ten global banks.) Although most analysts expect
to see many fewer M&A deals in the next few years, some think that some of the very large financial companies, either banks or diversified financial companies, will acquire one or more large life-insurance or P/C players.

**Table 10**

**TOP TEN GLOBAL LIFE AND P/C INSURANCE COMPANIES, 2001**

<table>
<thead>
<tr>
<th>Life Insurance Company</th>
<th>Revenue (Bllions of Dollars)</th>
<th>P/C Insurance Company</th>
<th>Revenue (Bllions of Dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ING Group</td>
<td>83.0</td>
<td>Allianz</td>
<td>85.9</td>
</tr>
<tr>
<td>AXA</td>
<td>65.6</td>
<td>American International Group</td>
<td>62.4</td>
</tr>
<tr>
<td>Nippon Life Insurance</td>
<td>63.8</td>
<td>State Farm Insurance</td>
<td>46.7</td>
</tr>
<tr>
<td>Aviva</td>
<td>52.3</td>
<td>Munich Re Group</td>
<td>41.9</td>
</tr>
<tr>
<td>Assicurazioni Generali</td>
<td>51.4</td>
<td>Zurich Financial Services</td>
<td>38.7</td>
</tr>
<tr>
<td>Dai-Ichi Mutual Life Insurance</td>
<td>43.1</td>
<td>Berkshire Hathaway</td>
<td>37.7</td>
</tr>
<tr>
<td>Prudential Plc</td>
<td>35.8</td>
<td>Allstate</td>
<td>28.9</td>
</tr>
<tr>
<td>Asahi Mutual Life Insurance</td>
<td>33.1</td>
<td>Royal &amp; Sun Alliance</td>
<td>21.5</td>
</tr>
<tr>
<td>Sumitomo Life Insurance</td>
<td>32.5</td>
<td>Swiss Reinsurance</td>
<td>20.2</td>
</tr>
<tr>
<td>MetLife</td>
<td>31.9</td>
<td>Loews</td>
<td>18.8</td>
</tr>
</tbody>
</table>

Source: Insurance Industry Institute; OneSource; Yahoo Finance

Globally, insurance companies (like other FSCs) have had mixed financial performance in recent years, although significant variations exist among companies and countries. However, because of the dramatic fall in share prices following the bust of the Internet boom, many insurance companies (including many U.K. firms) with large stock portfolios have seen dramatic declines. U.S. insurance companies in *Business Week’s* Standard & Poor’s (S&P) 500 have fared reasonably well in their market valuations (up 48%, on average, during the past three years, a far better record than that of the diversified financial group of companies). Insurance companies’ average revenue increase during the past three years (8%) is some three times better than that of banks and two and a half times better than that of diversified financials of the S&P 500. In profitability, however, U.S. insurance companies fared much more poorly than U.S. banks did. According to data from the Insurance Industry Institute, both life and P/C industries in the United States have performed worse (in return on equity) than commercial banks, diversified financials, and “all U.S. industries” since 1994.
### Table 11
FINANCIAL PERFORMANCE OF SELECTED U.S. INSURANCE COMPANIES

<table>
<thead>
<tr>
<th>Company</th>
<th>12 Months of 2002 (Millions of Dollars)</th>
<th>Change from 2001 (Percent)</th>
<th>Three-Year Average Change (Percent)</th>
<th>12 Months of 2002 (Millions of Dollars)</th>
<th>Change from 2001 (Percent)</th>
<th>Three-Year Average Change (Percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>MetLife</td>
<td>34,055</td>
<td>6</td>
<td>9.2</td>
<td>1,605</td>
<td>239</td>
<td>13.1</td>
</tr>
<tr>
<td>Allstate</td>
<td>29,579</td>
<td>2</td>
<td>2.7</td>
<td>1,465</td>
<td>26</td>
<td>−22.1</td>
</tr>
<tr>
<td>American International Group</td>
<td>60,387</td>
<td>11</td>
<td>16.1</td>
<td>5,519</td>
<td>0</td>
<td>0.8</td>
</tr>
<tr>
<td>Loews</td>
<td>16,878</td>
<td>−7</td>
<td>−7.5</td>
<td>1,012</td>
<td>Negligible</td>
<td>15.6*</td>
</tr>
<tr>
<td>Prudential Financial</td>
<td>26,675</td>
<td>−1</td>
<td>0.3</td>
<td>256</td>
<td>Negligible</td>
<td>−36.9*</td>
</tr>
</tbody>
</table>

* Two-year average.

Source: Standard & Poor’s 500; Business Week

In addition to financial developments, several other issues and developments are likely to affect eLearning adoption and use in the global insurance industry in the next two to three years:

- **Shifting distribution channels for insurance products.** In the past five to eight years, the relative importance of various distribution channels (including independent agents, career agents, direct representation, banks, and stockbrokers) and products (such as fixed-annuity, variable-annuity, and P/C products) has shifted significantly. Insurance companies view eLearning, either through formal or informal learning activities, as a way to train highly dispersed agents cost-effectively.

- **Rate of product innovation in the industry.** Most insurance companies today offer a wide range of products to consumer or commercial and industrial customers. The more products and the more diversified the target markets are, the greater the educational and learning challenges are, both for sales and marketing staffs and for the customers themselves. As companies use the Web for a greater share of their product marketing and distribution, new opportunities open up to provide a variety of learning materials online; human interaction with customers can then focus on higher-value activities.
• **Employee retention and attraction.** Many insurance companies have had difficulty hiring top talent because they have not been employers of choice, especially during tight labor markets. Although the situation is much less difficult now than it was a few years ago, insurance companies cannot afford to become complacent and must address this issue directly. Many companies have an image problem, especially among young people, who see insurance companies as conservative, slow-moving organizations that do not offer exciting employment opportunities (the oil industry faces a similar problem). Using eLearning to provide a large and diversified array of learning and training materials could help make insurance companies more attractive to young job hunters.

**eLearning Adoption and Practices**

As a whole, the insurance industry has been slower to adopt eLearning than has the banking industry. The corporate culture and relative conservatism of most insurance companies have made them cautious about adopting eLearning. In recent years, this situation has started to change, and a growing number of insurance companies are seeing eLearning as an important catalyst for change both in corporate culture and in business operations.

The case examples below highlight some insurance companies that are going beyond formal eLearning course-based programs to leverage Internet-based platforms to build CoPs. Farmers Insurance, Prudential, State Farm, and Clarica/Sun Life Financial (SLF) are among the companies that have adopted this strategy. But others, like NTUC Income in Singapore (see the box on page 44), believe that eLearning offers new opportunities not only to train their internal staffs and large number of insurance advisers but also to educate their policyholders. These learning activities are likely to involve both courses and less formal eLearning materials, much of which will be in more granular form. NTUC Income, for example, is exploring innovative ways, such as games or contests, to achieve its customer-learning objectives.

As a greater number of insurance companies become part of larger FSCs, new opportunities for economies of scale will emerge, enabling deployment of eLearning to insurance operations. Not only will seamless connection of networks and systems and higher-capacity/-bandwidth open new opportunities for dynamic and interactive eLearning content, but companies will also be able to achieve scale economies in procuring eLearning courses. Large FSCs will also likely build internal content-development capabilities, as even the relatively small NTUC Income plans to do. As a result, they will benefit from company-specific eLearning content that is more relevant and useful than the more generic courses that dominate many eLearning programs.
eLEARNING ADOPTION AT NTUC INCOME IN SINGAPOR

Thanks to the Singapore government’s strong interest in and support of eLearning, a growing number of companies, including financial-services companies (FSCs), are building eLearning programs in Singapore and even introducing innovative features that are just beginning to find adoption in other parts of the world. NTUC Income, one of the four largest insurance companies in Singapore (with 800 office staff and 4500 insurance advisers), started exploring eLearning when it built its intranet in 1995 but did not initiate a formal eLearning program until late 2001. The company has ambitious plans for eLearning, although it has found that changing mind-sets is difficult and that sourcing and selecting vendors is a hassle.

The company’s thinking about the future direction of its eLearning program is interesting and likely illustrates the types of activities we can expect to see in other insurance companies and other FSCs. According to Lim Kin Chew of the E-Learning Competency Centre of Singapore, the company has the following plans for eLearning:

- **Use gaming for learning purposes.** Contests are a new feature of the NTUC Income’s Web site (http://www.income.com.sg), which is already dense with information.
- **Introduce virtual classrooms.** NTUC Income’s plans for virtual classrooms are interesting in view of Singapore’s small geographic size. NTUC Income does not have to deal with a highly dispersed workforce, like most U.S. insurance companies do, for instance.
- **Develop in-house course-development capability.** Although a growing number of courses for the financial industry are now available, custom development of company-specific courses with proprietary information that can yield competitive advantage must be in the hands of internal staff or third-party developers.
- **Offer eLearning courses to the company’s customers.** NTUC Income sees eLearning as a cost-effective way to provide learning to its more than 1 million policy holders.
- **Install its own learning-content–management system.** The company believes that investing in a learning-content–management system will enable it to create and manage eLearning content more effectively.

Case Examples

The case studies below illustrate eLearning’s role in a broad array of learning- and knowledge management–focused activities. The companies in this section are designing and implementing some interesting blended learning models.

**Sun Life Financial**

After a long life as Sun Mutual Life Insurance (which opened its doors in 1871) Sun, like many other insurance companies in the late 1990s and early twenty-first century, demutualized and became Sun Life Financial in 2000. Just two years later, the company merged with a smaller and strong performer, Clarica, to create the largest insurance company in Canada (it retained the name Sun Life Financial). (However, the new company’s annual revenue of some $11 billion and employee base of 11 800—primarily...
in Canada but also in the United States, the United Kingdom, India, Chile, and Bermuda—are only a third of the size of the smallest of the global top ten insurance companies in Table 10). Because of Clarica’s strong financial performance, systems, and operations, some financial analysts in Canada saw the merger as a “reverse takeover” by Clarica, with the potential to improve the performance of the acquiring company.

The two companies are now looking at ways to leverage their strengths to produce strong financial performance for the new organization. As Figure 11 shows, before the merger, the two companies had significantly different systems and infrastructure, corporate cultures, and approaches to learning and knowledge management. As in any merger or acquisition, such differences pose challenges in integrating the two firms. (A central Integration Management Office of 325 people is leading the integration effort and must track 600 projects.) The companies are working to build strong understanding and awareness of the two entities among top executives and employees, especially in areas in which significant differences exist in the corporate culture (“how we do things around here”).

For this report, some of the most interesting and important differences between the two companies were in Clarica’s and SLF’s approaches to learning and training (see Table 12). Differences in the companies’ IT infrastructure and systems also have important implications for the kinds of learning processes and activities the new organization can support (especially the use of online platforms):

• Although Clarica has seen eLearning (especially in the form of Web-based courses) as one element in the company’s portfolio of learning resources, it has paid more attention to building and supporting online collaboration and communities of practice. This fact, plus its focus on Agent Network and a number of other CoPs that preceded it—such as CoPs for learning, project management, plain language, and technical writing—places it in the lower-right quadrant of Figure 3. Agent Network has been a key CoP at Clarica, gaining public visibility after Deb Wallace, a consultant in the Strategic Capabilities Group at Clarica, wrote the book *Leveraging Communities of Practice for Strategic Advantage* with Hubert Saint-Onge. The Agent Network focused efforts on establishing an organizational capability for developing, nurturing, and sustaining CoPs. The company went on to establish a number of other CoPs, including a community for agency-management personnel, a community for innovation standards, and a community for group-insurance-account executives.

• Through its corporate university, SLF has had a more traditional training and learning organization and a more formal learning structure than Clarica has. Its learning program has included degree programs and relationships with academic universities for degree programs, as well as eLearning courses for employees.
Figure 11

CLARICA AND SUN LIFE MERGER

Clarica Profile
- Technically Sophisticated, and Effective Distributor*
- Sales Force of 3000 Clarica Agents and Representatives
- Efficient and Effective, Captive Agency Force
- Well-Integrated Web Applications to Support Agency Force*
- Well-Designed and Strongly Supported Learning and Knowledge Policies, Systems and Processes
- Agent Network and Other CoPs Highly Regarded

Sun Life Profile
- Little Growth in Operating Income 1998 to 2001
- Reputation as Relatively Sluggish Giant That Could Rebound with Clarica’s “Reverse Takeover”*
- Wider Footprint in Canada and Worldwide than Clarica’s
- Strong Brand, Profile, and History
- Formal Learning Structure in Form of Corporate University

Opportunities
- Chance to Leverage Clarica’s Sophisticated Systems and Processes across the Larger Organization
- Ability to Merge Clarica’s Relatively Informal Learning and Knowledge Programs with Sun Life’s More Formal Processes and Corporate University Organization
- Chance to Leverage Learning and Knowledge Process Strengths in Merger Integration

Challenges
- Sun Life Executives’ Lack of Awareness and Understanding of Clarica’s Learning and Knowledge Models and Activities
- Need to Improve Information-Technology and Integration of Applications across the Two Organizations
- Cultural Differences between the Merged Companies
- Need for Rapid Integration of People and Systems

* Insurance Technology Online (27 June 2002)
Source: SRIC-BI
Table 12
PROFILE OF LEARNING AND KNOWLEDGE AT SUN LIFE FINANCIAL

<table>
<thead>
<tr>
<th>Feature</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Learning and knowledge philosophy</td>
<td>Builds on and extends models, processes, and systems created at Skandia and other leading organizations with a strong commitment to learning and support by senior management for building human capital and capabilities</td>
</tr>
<tr>
<td>Role and position of eLearning</td>
<td>Before the merger, was part of the formal, corporate university-focused learning processes at Sun Life Financial and a supporting element in the portfolio of learning tools and activities at Clarica</td>
</tr>
<tr>
<td>Building culture and values for CoPs</td>
<td>Considerable work has taken place since the late 1990s in creating a culture and values that would set the stage for the subsequent success of communities</td>
</tr>
<tr>
<td>Focus on key business imperatives</td>
<td>Has launched a new knowledge and learning community that extends across the whole enterprise and includes business-unit representatives to ensure attention to key business issues</td>
</tr>
<tr>
<td>Cultural principle</td>
<td>“P4”: people, partnership and passion drive performance</td>
</tr>
<tr>
<td>Emphasis on context</td>
<td>Was key to Clarica’s knowledge strategy and was the first component of its eLearning model</td>
</tr>
<tr>
<td>Strategic role of learning and knowledge in integration process</td>
<td>Aims to “create a comprehensive knowledge and learning system to support the timely and effective completion of integration”; expects to complete knowledge and learning-system framework by January 2004</td>
</tr>
</tbody>
</table>

Source: Sun Life Financial; SRIC-BI

Given these differences and the current focus on integrating systems and processes, the new organization has put some CoPs and related activities on hold while it sorts out integration issues and fosters communication among key constituencies to improve awareness and understanding of the two firms’ learning operations. Nonetheless, a new knowledge and learning-system framework is in place that addresses vision and strategy, roles and structures (people), process and practice (guidelines and programs), and the infrastructure of tools and technology. On the people side, the key units that will lead the learning and knowledge efforts include a knowledge and learning team (consisting of architects and consultants), business-unit knowledge and learning stewards, the knowledge and learning community, and a knowledge and learning council.

The new team drafted a knowledge and learning strategy in late 2002—on the basis of the framework in Table 13—that had the following three broad goals:

- Create a comprehensive knowledge and learning system to support the timely and effective completion of integration.
• Build a strong, collaborative knowledge and learning network of expertise across the organization to realize synergies and economies of scale, share best practice, avoid duplication, and leverage SLF knowledge assets with consistency and high quality standards.

• Embed knowledge and learning processes into the organizational fabric so that the leadership supports and the culture engages all employees in continuous learning and active knowledge sharing in the pursuit of using SLF knowledge assets in creating the market leader.

<table>
<thead>
<tr>
<th>Component</th>
<th>Create (Learn, Innovate, Acquire Capture, Design, Develop)</th>
<th>Manage (Store, Organize, Access, Present, Communicate)</th>
<th>Use (Apply, Reflect, Refine, Enhance, Use)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vision and strategy</td>
<td>• Learning organization</td>
<td>• Comprehensive K&amp;L system</td>
<td>• Sun Life Financial Canada business imperatives</td>
</tr>
<tr>
<td></td>
<td>• Knowledge-sharing culture</td>
<td>• Highest quality and best practice</td>
<td>• Business-unit plans</td>
</tr>
<tr>
<td></td>
<td>• Importance of knowledge assets</td>
<td></td>
<td>• Link between performance and strategy</td>
</tr>
<tr>
<td></td>
<td>• Alignment with P4 values work (see Table 12)</td>
<td></td>
<td>• Leveraging capabilities</td>
</tr>
</tbody>
</table>

- Where do we want to go?
- How do we get there?
- What’s important?

| People | • Participation by all employees                         | • Subject-matter experts                          | • All employees                |
|        | • Knowledge and learning (K&L) community                 | • K&L council                                    | • Managers                    |
|        | • Strategic capabilities                                 | • K&L team architects                            | • Individual-capability consultants (now HR consultants) and organizational-capability consultants |
|        | • Executive sponsors                                    |                                                      | • K&L team consultants         |
|        | • Vendor partners                                       |                                                      | • Executive leaderships       |

- Are the right people in place?
- Are roles and responsibilities defined?
- Do employees have the right capabilities?
<table>
<thead>
<tr>
<th>Component</th>
<th>Create (Learn, Innovate, Acquire Capture, Design, Develop)</th>
<th>Manage (Store, Organize, Access, Present, Communicate)</th>
<th>Use (Apply, Reflect, Refine, Enhance, Use)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Content</td>
<td>• Information objects</td>
<td>• Intranet vessel</td>
<td>• Information objects</td>
</tr>
<tr>
<td></td>
<td>• Courses</td>
<td>• University of Sun Life Financial (knowledge repository on the intranet) Knowledge Depot</td>
<td>• Knowledge repositories</td>
</tr>
<tr>
<td></td>
<td>• Training materials</td>
<td></td>
<td>• Discussion databases</td>
</tr>
<tr>
<td>Is business-critical information available?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Is information in appropriate formats?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do we need to obtain new content?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Guidelines and programs</td>
<td>• K&amp;L team toolkit</td>
<td>• Governance standards and practice outline</td>
<td>• Communities of practice</td>
</tr>
<tr>
<td></td>
<td>• Knowledge-sharing methodologies</td>
<td></td>
<td>• Project teams</td>
</tr>
<tr>
<td></td>
<td>• Education policy</td>
<td></td>
<td>• Performance-management process</td>
</tr>
<tr>
<td></td>
<td>• Community-development process</td>
<td></td>
<td>• Measurement and metrics</td>
</tr>
<tr>
<td>Are necessary policies and procedures in place?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do quality standards exist?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Can we leverage across business units?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tools and technology infrastructure</td>
<td>• Information-technology partnership</td>
<td>• Information architecture</td>
<td>• Interface</td>
</tr>
<tr>
<td></td>
<td>• Environmental-scanning systems</td>
<td>• Intranet</td>
<td>• Security</td>
</tr>
<tr>
<td></td>
<td>• Selection criteria</td>
<td>• Collaborative tools</td>
<td>• Usability</td>
</tr>
<tr>
<td></td>
<td>• Definitions of requirements</td>
<td>• Templates</td>
<td>• Accessibility</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Document management</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• LMS</td>
<td></td>
</tr>
<tr>
<td>Are we leveraging technology infrastructure?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Can we facilitate collaboration and knowledge sharing?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are tools universally available?</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Sun Life Financial
The knowledge and learning strategy is currently undergoing revision and refinement and awaiting final official endorsement by the strategic-capabilities unit and the executive team. After this step, the team will likely launch the following key initiatives and projects:

- Partner with SLF’s IT group to leverage the collaboration tools that the organization’s distributed workforce needs
- Help create a development strategy for an organizationwide customer-service capability
- Implement an organizationwide innovation framework
- Develop and implement knowledge and learning metrics
- Lead the selection and implementation of an organizationwide LMS
- Implement an intranet for the new organization
- Create awareness of the knowledge and learning system through communication and marketing.

Skandia AB
With 2002 revenue of some $9.4 billion and 6900 employees, Swedish-based Skandia is a relatively small player among FSCs. But it has operations in some 20 countries and in business areas that include long-term savings and asset management. (Skandia was in the P/C business but these operations have been acquired by If, a Swedish company in which Skandia holds a 40% equity interest.) Other operations include SkandiaBanken—which provides savings, lending, investment, and advisory services to customers—and Swedish Skandia Life. As a relatively small player with limited resources but with ambitious plans for international expansion, Skandia concluded in the 1990s that it could succeed only through innovation and creativity—by designing new products and services and by finding new and more cost-effective ways of distributing its products. The Global Business Development unit has played a key role in helping Skandia meet these goals. It is responsible for starting companies in new markets and for facilitating product and process development in existing markets, leveraging concepts and processes that the company has developed and perfected in operations in other countries. Thus, the Skandia concept has been to combine local fund managers and distribution with global product development and administration.

During the 1990s, Skandia gained worldwide brand recognition and reputation, both for quickly and cost-effectively building new businesses around the world and for building a learning organization with a strong commitment to people development and innovation in learning and knowledge-related areas. Two people who played key roles in developing these strengths were Leif Edvinsson and Jan Carendi. Edvinsson—who in part set out to identify the hidden values of intellectual capital—joined Skandia in 1991, was the first director of intellectual capital in the world, and became a well-known evangelist for learning, knowledge management, and especially intellectual-capital development and support in organizations. Carendi, the business strategist and CEO of
Skandia Assurance and Financial Services, was instrumental in transforming Skandia in the 1990s and building it into a successful business operation. He led the rapid growth of American Skandia into a leading player in the U.S. market. (Carendi is now the head of Allianz USA.)

In its successful years of the 1990s—during which the rising stock markets helped Skandia and many other insurance companies achieve strong performance—Skandia’s learning and knowledge programs included the following features and characteristics:

**eLearning systems.** Skandia expanded its use of eLearning and deployed learning-management systems, including Luvit (from a small Swedish LMS vendor coming out of the University of Lund), which SkandiaBanken used. American Skandia built a corporate university (with formal learning structures and processes similar to those of SLF) to handle the rapid growth of new employees joining the company, most of whom needed training. eLearning was an ideal way to train large numbers of employees quickly as well as to teach brokers and other intermediaries selling Skandia products. The company used ElementK to host and track IT content and also used online courses for soft-skill business-management training from the well-regarded Harvard ManageMentor/Leadership Transition offering. (The series of 27 courses focuses on topics like coaching, performance assessment, budgeting, and numerous other general business-management training subjects.)

**eLearning content.** American Skandia has developed its own custom content internally but also buys insurance-specific course materials (for both CD-ROM and Internet-based delivery) from vendors like Securities Training Corporation, which offers a wide range of courses and updates them regularly to reflect regulatory changes (see Table 2). These courses are available through a learning portal with links to the company’s workforce-management system (from PeopleSoft), enabling automated updating of personnel files and tracking for auditing and certification.

**Competency insurance.** Competency insurance creates financial opportunities for employees to gain new knowledge and prepare for the future, enabling them to think beyond current tasks and job requirements. This system contrasts with most corporate tuition-reimbursement programs, which typically require the educational program to have a strong connection to the employee’s current work. Skandia employees can use competency-insurance funds for any educational purpose, whether or not it has a connection to their current jobs and responsibilities. The focus is on employees’ own ambitions and possibilities. In 1995–96, Skandia began matching employee contributions to their competency funds (to 5% of yearly salary and a total maximum of one year’s salary; applicable to Skandia in Sweden only), which they could use later to gain new knowledge and skills. The competency-insurance scheme was quite popular, with some 45% of the company’s employees participating in the matching program. Skandia combined this competency insurance with online tools for personal-development planning and with an online Competence Exchange offering a wide variety of learning resources for employees (see Figure 12).
• Skandia Navigator and Dolphin Navigator System. One lesson that Skandia learned during the 1990s was that new tools and methodologies were necessary for better strategy development, planning, follow-up, and implementation in knowledge management, learning, and intellectual capital. One product that resulted from this insight is the Skandia Navigator—a strategic business-planning and implementation tool that is similar to the Balanced Scorecard but places greater emphasis and focus on process and human resources. The elements of the Skandia Navigator are renewal and development, process, customer needs, finance, and human resources. Dolphin Navigator is an IT-based tool that Skandia developed to ensure maximum value for users of the Skandia Navigator. The Navigator and the Dolphin Navigator are now key

* CV = Curriculum Vitae.
Source: Skandia
elements in the tool set of IC Community, the company that resulted from the merger of the Skandia subsidiaries of IC Visions, Skandia Kompetens, and Skandia Knowledge Management (Skandia divested these subsidiaries because of Swedish tax regulations and the weakening financial performance of the company, which forced a significant reduction in Skandia’s Swedish workforce in 2002). As a result, IC Community is now the main “steward, developer and practitioner” of most of the tools and techniques that the Assurance and Financial Services unit of Skandia created.

A dramatic downturn in global stock markets and operational and management troubles inside Skandia in the past few years have had a dramatic impact on the company (see Figure 13). Stock-market developments have affected Skandia much as they have affected other insurance companies, resulting in rising losses on the revenue side and a dramatic loss in valuation. (Many British insurance companies have had particularly hard times because a high percentage of their assets have been in the form of stock holdings.) Although the learning and knowledge management–related processes and practices that emerged in the 1990s could not have prevented these externally driven developments, analysts are now raising questions about Skandia’s business model, given that it has left the company extremely vulnerable to the gyrations of the stock market.

Although Skandia’s future is uncertain at this writing, the sale of American Skandia has major implications for the company’s future, and European financial analysts report that Sampo (an aggressive Finnish FSC that wants to expand in the Nordic region and beyond) has been considering acquiring Skandia. If the acquisition does take place, the new company will be able to draw on and benefit from the knowledge and intellectual assets that Skandia built up in the 1990s—in the same way that Sun Life Financial has gained strength from what Clarica created on the knowledge and learning front before its merger. The strong people- and learning-oriented culture that Skandia has built may help the company retain key talent during these hard times, and this strength may enable it to turn the current situation around or to integrate successfully into another, financially stronger organization.
Figure 13
THE RISE AND DECLINE OF SKANDIA

**Market Valuation**
(Billions of Swedish Kronor)

**The Good Times…**
- Gained worldwide attention for innovative concepts and tools for KM and intellectual capital (IC)
- Built processes and a business model that enabled the company quickly and cost-effectively to establish new operations in attractive markets
- Built American Skandia from an unknown start-up to a leading player in the U.S. insurance market
- Commercialized a number of KM and IC concepts and established wholly owned subsidiaries to develop and market these products

…and the Bad Times
- Suffered a battered reputation because of scandals and disastrous share-price performance
- Prompted questions among analysts about the close ties of its business model and performance to stock markets*
- Removed its CEO in April 2003 and prompted rumors that Skandia was an acquisition target
- Sold American Skandia to Prudential in May 2003
- Spun off its three knowledge and learning subsidiaries—IC Visions, Skandia Kompetens, and Skandia Knowledge Management—and merged them into a new company, IC Community

**Questions and Issues for Future**
- How dramatically will Skandia’s financial difficulties and turmoil affect its commitment to building internal knowledge capital and supporting learning activities?
- Will outsourcing of certain activities to IC Community give Skandia a cost-effective solution while it tries to turn around its short-term financial performance?
- Will Skandia’s strong learning and knowledge focus and investments during the good times—and the resulting employee loyalty and positive culture, help the company overcome its current problems?

*Skandia operates as a wholesaler, collecting fees from customers and fund managers on the savings products it sells.

Source: SRIC-BI
ONLINE COMMUNITIES AT STATE FARM AND PRUDENTIAL

Like Clarica, State Farm Insurance and Prudential have taken advantage of the Web-based platform from Communispace (http://www.communispace.com) to build communities of practice (CoPs). However, their CoPs have different constituencies and different learning and knowledge-sharing objectives than Clarica’s do.

State Farm’s eLearning Community
When State Farm consolidated more than 30 training centers into 1, a need arose for the company’s 60 learning and training professionals to find a way to communicate and collaborate more easily, especially about eLearning-related issues. The company created the E-Learning Consortium, an eLearning-focused CoP that could use discussion boards, surveys, brainstorming, document sharing, and instant messaging to share knowledge and build relationships. So far, the CoP has helped people avoid duplication of efforts by finding out about overlapping activities and enabled collaboration among smaller groups that focus on specific eLearning issues.

The CoP has set up several subgroups (task forces), including:

• **Pain Points.** This group identifies key obstacles to implementing eLearning within State Farm and looks for ways to reduce or eliminate these barriers.

• **Current State.** This group aims to create a single, centralized catalog of all the eLearning tools and products available and in use throughout the company.

• **Research.** This group works with other companies to benchmark eLearning and blended eLearning practices and metrics.

In the next few years, many FSCs are likely to follow in State Farm’s footsteps by closing training centers (both to save money and to address overcapacity and insufficient use of such centers). In turn, they will increase their use of online platforms for virtual collaboration.

Prudential’s Alumni Community
Prudential plc has been revamping its learning and training operations to ensure that they align well with business and operational needs—with the goal of giving widely distributed learners exactly what they need, at the right time, and at the right cost. The vision in Prudential has been to create a learning culture in the company, fostering an environment where learning, coaching, and teaching are explicit parts of everyone’s job. The company also has a CEO who is fully supportive and committed to learning and personal development, and the board of directors is also supportive of increasing use of technology for learning and training.

With this kind of executive commitment and with the goals that the company has, Prudential has been moving ahead on a number of different fronts of eLearning, including the use of online community platform, as well as exploring the use of learning objects. Through the use of Communispace’s online collaboration platform, Prudential has created an alumni community for graduates of the company’s emerging business-leaders program. The community will support the delivery of projects that originate in the program, incubate new ideas and projects, and promote networking among alumni across Prudential’s businesses.
SECURITIES AND INVESTMENT BANKING

Although all FSCs have suffered from the dramatic cyclical developments in the global financial markets during the past five or six years, the securities and investment-banking industry (SIBI) has felt the greatest impact and has had to adjust its operations accordingly. Charles Schwab, a discount brokerage firm with large online operations, has sustained the greatest blows, but Merrill Lynch has had to lay off one-third of its staff during the past three years. The full impact of the stock-market debacle is not yet clear, however: Investor lawsuits await settlement, and new regulations may be in the offing.

In the current circumstances, most firms in the SIBI are unlikely to launch major new eLearning initiatives because senior executives are focusing on the most urgent and burning issues (“fighting near-term fires”). These realities and recent developments in the industry have the following implications for eLearning adoption and use:

• **Increased compliance training.** This increase will be necessary as new regulatory measures emerge in the wake of recent excesses in the securities industry. eLearning already plays a major role in FSCs’ compliance training, and its use will likely increase for two reasons: Securities firms will look for the most cost-effective ways to comply, and they will need to track employees’ progress and document that they have taken courses and understand the new regulations. Compliance needs were one of the key drivers in Credit Suisse’s recent decision to hire WBT Systems, for example. This deal, which follows an initial three-year deployment, calls for an enterprisewide eLearning program that will include compliance training for 50 000 staff members and sales training for 4000 employees.

• **Greater cost and return-on-investment focus.** An emphasis on near-term cost reduction in industry will require new eLearning initiatives to demonstrate cost savings versus the cost of using more traditional, classroom-based methods. Large investments in LMSs or LCMSs will face particular scrutiny, but even these systems may prove to be attractive in very large securities firms that can achieve scale economies. However, enterprisewide deployments can be difficult, because local business units and subsidiaries often have already deployed smaller but cost-effective solutions that meet local needs. Thus, companies need to balance global and local needs carefully when they seek scalable, global systems that provide the most cost-effective enterprisewide solutions.

• **Stronger interest in outsourcing.** Short-term needs as well as longer-term learning and cost objectives may make hosting and outsourcing options attractive. Given today’s financial and economic realities, a growing number of SIBI firms will be open to new options that may help them reduce high-cost IT staff; avoid large, up-front IT investments; and convert these costs into a “pay-as-you go” variable cost that depends on what systems and services firms need as their business needs change. Outsourcing vendors can also train staff in the use of new applications, and an increasing part of this training will take place via eLearning.
Industry Context

The securities and investment-banking industry saw much less M&A activity in the 1990s than did the banking industry: The industry’s peak activity in 2000 was only one-fourth the value of all bank M&As in the banking industry’s peak year (1998, when total bank M&A value reached $265 billion). With market valuations of the top three global (and U.S.) securities firms realizing an average three-year return of –45% to –25%, these firms are not in a good position to make acquisitions. Most M&A activity in recent years has in fact crossed industries, with banks acquiring investment advisers. Four such deals took place in 2001, the largest of which was Deutsche Bank’s acquisition of Zurich Scudder Investments for $2.5 billion. Despite the relatively low degree of M&A activity in the past decade, the U.S. securities industry has a relatively high degree of concentration, with the top ten firms in 2001 accounting for some 60% of total industry revenue.

A few developments in 2003 indicate the current overcapacity in the securities industry and could point to future deals for cost-saving reasons:

- Prudential and Wachovia formed an alliance by merging their securities operations. The new securities unit, Wachovia Securities, will reportedly rank third in the United States in client assets, after Merrill Lynch and Citigroup’s Smith Barney. By cutting the high costs in the two smaller units, the alliance estimates that it will see savings of $220 million per year.

- In early 2003, US Bancorp decided to spin off its brokerage arm, Piper Jaffray. The bank aims to reduce the high fixed costs of running a securities unit of the size of Piper Jaffray in the current weak market.

An article in Business Week (5 May 2003), “The New Merrill Lynch,” describes some of the challenges facing the second-largest securities firm in the world (and in the United States, after Morgan Stanley): “It is facing investor suits that could cost it billions. Deal making is at a low ebb, and stock market investors are gun-shy in the worst bear market since the Great Depression.” Other U.S. securities firms face similar challenges, and those in other countries are not much better off. The financial impact of these difficult market conditions is evident in the performance figures for securities firms in Tables 14 and 15.
### Table 14
TOP TEN U.S. SECURITIES AND INVESTMENT BANKING FIRMS, 2001

<table>
<thead>
<tr>
<th>Company</th>
<th>Revenue (Billions of Dollars)</th>
<th>Percent Change from 2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Morgan Stanley</td>
<td>43.7</td>
<td>−4</td>
</tr>
<tr>
<td>Merrill Lynch</td>
<td>38.8</td>
<td>−14</td>
</tr>
<tr>
<td>Goldman Sachs Group</td>
<td>31.1</td>
<td>−6</td>
</tr>
<tr>
<td>Lehman Brothers Holdings</td>
<td>22.4</td>
<td>−15</td>
</tr>
<tr>
<td>Bear Stearns</td>
<td>8.7</td>
<td>−15</td>
</tr>
<tr>
<td>Charles Schwab</td>
<td>5.3</td>
<td>−26</td>
</tr>
<tr>
<td>A. G. Edwards</td>
<td>2.8</td>
<td>1</td>
</tr>
<tr>
<td>Franklin Resources</td>
<td>2.4</td>
<td>1</td>
</tr>
<tr>
<td>E*Trade Group</td>
<td>2.1</td>
<td>5</td>
</tr>
<tr>
<td>Raymond James Financial</td>
<td>1.7</td>
<td>−2</td>
</tr>
</tbody>
</table>

Source: Insurance Industry Institute; OneSource; Yahoo Finance

### Table 15
FINANCIAL PERFORMANCE OF SELECTED U.S. SECURITIES AND INVESTMENT-BANKING FIRMS

<table>
<thead>
<tr>
<th>Company</th>
<th>12 Months of 2002 (Millions of Dollars)</th>
<th>Change from 2001 (Percent)</th>
<th>Three-Year Average Change (Percent)</th>
<th>12 Months of 2002 (Millions of Dollars)</th>
<th>Change from 2001 (Percent)</th>
<th>Three-Year Average Change (Percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Merrill Lynch</td>
<td>28 253</td>
<td>−27</td>
<td>−7.9</td>
<td>2577</td>
<td>350</td>
<td>−18.3</td>
</tr>
<tr>
<td>Goldman Sachs Group</td>
<td>22 854</td>
<td>−27</td>
<td>−3.6</td>
<td>2114</td>
<td>−8</td>
<td>−9.8</td>
</tr>
<tr>
<td>Morgan Stanley</td>
<td>32 415</td>
<td>−26</td>
<td>−2.5</td>
<td>2988</td>
<td>−17</td>
<td>−6.7</td>
</tr>
<tr>
<td>JP Morgan Chase</td>
<td>43 372</td>
<td>−14</td>
<td>6.4</td>
<td>1663</td>
<td>−3</td>
<td>−37.9</td>
</tr>
<tr>
<td>Charles Schwab</td>
<td>4135</td>
<td>−5</td>
<td>−12.1</td>
<td>97</td>
<td>24</td>
<td>−55.1</td>
</tr>
</tbody>
</table>

Source: Standard & Poor’s 500; Business Week
eLearning Adoption and Practices

As in the other sectors of the financial industry, knowledge intensity, compliance requirements, and a growing technology orientation drive the securities and investment-banking sector, so we should not expect eLearning adoption and use patterns to differ significantly from those in the banking and insurance industries. As the sectors continue their relentless drive toward convergence, the differences that do exist are likely to diminish further. But the use of communities of practice is so far not as extensive in the banking and the securities and investment-banking industries as in the insurance industry. Given the role and nature of agents and brokers in the insurance industry, this form of informal learning—with a greater focus on knowledge creation and sharing than on course work—is perhaps not surprising. Knowledge creation and sharing (two key elements of “knowledge management”) are also goals of other FSCs, but so far, relatively few structured processes—like communities of practice—have emerged in the securities and investment-banking sector.

Morgan Stanley, Credit Suisse, Fidelity Investments, Lehman Brothers, Goldman Sachs, JP Morgan Chase, and Morgan Stanley Dean Witter are just a few of the SIBI firms that have been actively building their eLearning programs in recent years. Although their use of eLearning is rising—mostly at a relatively moderate rate in the current, difficult business environment—these companies recognize the value of a blended model that allows at least some choice in how learning and training take place. As cost pressures continue and even intensify, however, a growing number of institutions will have to push more of their learning activities toward online delivery because they will no longer be able to support the cost of the traditional classroom option. Entry-level training for financial analysts and advisers in the securities and investment-banking industries therefore increasingly takes place online, to allow flexible and asynchronous access.

As securities and investment-banking operations increasingly integrate with the banking and insurance operations of global financial conglomerates, the eLearning programs and (best) practices from one or more parts of these organizations will find their way into other groups and business units. In the next few years, such diffusion will accelerate because eLearning programs in many FSCs are now well beyond the pilot stage, and companies have gained considerable experience with eLearning and best practices and can put the lessons they’ve learned to good use in other parts of the organization.

Given the new regulations that are emerging around the world, many of the vendors in Table 2 will offer online courses that meet these new compliance-training needs. But many FSCs will have their internal staffs create customized courses, sometimes with the help of eLearning developers and consultants. Because the instructional design of such compliance eLearning courses is relatively well-known by now—and the delivery infrastructure is in place—companies can carry out cost-effective implementations of eLearning solutions for new compliance-training needs relatively quickly, thus minimizing the marginal cost of implementation.
As in other financial sectors, securities firms have significant customer-education needs, and moving such activities to the Web can have important benefits:

- **Reducing customer-service and -support costs.** The more knowledgeable investors are, the less likely they are to require customer service and support and the better able they are to use online resources effectively—without needing to call for personal assistance.

- **Enabling low-cost cross-selling.** Providing high-quality online customer learning materials can help customers understand which financial investment products can meet their needs. Some FSCs have become quite sophisticated in presenting and delivering these learning materials online, but many organizations have a long way to go: Some learning materials are not easy to find on institutions’ home pages, and content and tools vary widely in quality and sophistication.

- **Building brand and customer loyalty.** Efforts to build loyalty take various forms. Merrill Lynch, for instance, has developed an online educational program—Investing in Youth: Investing Pays Off—as part of its philanthropic initiative. Though the program initially targeted children from 11 to 14 years old (for level 2) and from 15 to 18 (level 3), Merrill Lynch is now adding another level to its curriculum to target children between the ages of 7 and 10. It is also introducing a “business-plan competition” to teach personal finance and to strengthen its brand among very young consumers.

### Case Examples

None of the earlier case examples of this report profile U.S. institutions, but this section profiles two U.S. firms—Charles Schwab and Merrill Lynch—because U.S. securities and investment banks are among the leaders of this sector of the financial industry. This leadership is not surprising given the large and sophisticated U.S. capital markets. Although both the players in this section continue to be icons in the industry and have been on the forefront of eLearning adoption in the industry, both companies have suffered greatly in recent years. As a result, Fidelity Investments now ranks ahead of Charles Schwab in online discount brokerage, and in a 5 May 2003 article, *Business Week* reported that “there are still people on Wall Street who think that Merrill will end up as takeover bait for banks that want a bigger investment-banking presence when business picks up again. Possible suitors, senior merger advisors say, include Bank of America, Bank One, or British-based global bank HSBC.”

With both these institutions facing hard times, they will scrutinize their eLearning programs—along with other programs—to make sure they are cost-effective and meet business goals and performance objectives. Other firms and other industries that face a similar imperative will follow the fate of the programs at Schwab and Merrill with great interest.
Although Reuters has seen its financial performance deteriorate significantly (especially during 2002), it has not had to take the kind of dramatic action (massive layoffs) that Schwab and other financial-services companies had to take. Also, at Reuters—which has a highly distributed workforce of more than 16,000 people worldwide, in offices in more than 200 cities in 94 countries—eLearning may have greater potential to have a major impact in the following ways:

- **Better responses to a rapid change environment.** Although Reuters is a news and information provider to the financial industry, it also has more than 1000 software products (which undergo continual changes). But the company and its employees also face rapid changes in the financial markets and in its functional training needs across many operations. Coping with these changing needs in a classroom environment is impossible across so many countries and different learning needs. Only eLearning has a chance to meet the needs of the global Reuters staff for flexibility, responsiveness, and effective customer service.

- **Cost reduction.** eLearning could drive down costs by reducing the 10,000 classroom events that Reuters holds every year, delivering more than 69,000 learner days. The company wants to reduce the ratio of conventional classroom training to eLearning from 19:1 to 3:1 in 2003 or 2004. The company also hopes to reduce the costs of current eLearning-content creation by instituting design and production guidelines that enable more reuse of content and easier integration of varied third-party content and integration with existing in-house content. One particularly interesting aspect of Reuters’s eLearning program is its focus on “creating a learning object mind-set.” This focus is not surprising given that Charles Jennings, Reuters’s head of Internal Training & Global eLearning, comes from Online Courseware Factory, an eLearning developer with a strong learning-object orientation.

Jennings and his staff are moving from “product push” to “business pull” in the company’s learning approach while seeking to transform the current regional training structures into a global structure that will help ensure consistency and avoid duplication across training operations. This strategy will require a global learning curriculum, standard learning methodologies, a global certification model, and rollout of a global learning-management system with links to Reuters’s human-resources and financial systems. As Reuters moves toward a more process-based learning system, the company’s delivery options will include an intranet that enables mentoring and collaboration, virtual classrooms, and, finally, “live laboratories.”

To achieve these objectives, the company must build a global learning infrastructure (see the figure). This infrastructure will incorporate a significant amount of Oracle enterprise-resource-planning and learning technology (with significant modification and upgrading of the latter to meet Reuters’s needs). Jennings and his colleagues clearly face major cultural, technical, and process challenges, not to forget overarching cost pressures to “do more with less.” But Jennings and his team continue to find support, and a vastly different learning system will be in place in a year or two—if the necessary senior-executive support continues.
Charles Schwab
During the 1990s, Charles Schwab not only became the leading online discount-brokerage firm and an early adopter of Internet technologies, but also gained a reputation as a leader in the use of eLearning. Because the company understood early the potential and business implications of emerging Internet technologies, its major strides in eLearning are perhaps not surprising. The firm’s embrace of eLearning not only includes internal learning and training (delivered through Schwab University [Schwab U] as part of Human Resources—see Table 17) but shows Schwab’s early understanding that eLearning could reach into the extended enterprise. By educating customers and making them smarter investors, the company’s Electronic Brokerage saw that it could increase customer loyalty: More knowledgeable investors with greater use of online services would be more likely to remain strong customers of Schwab’s services.
Because of Schwab’s Internet-based technology orientation, the company has a strong infrastructure that gives it more delivery options than many other FSCs have. As a result, Schwab has been able to go beyond the use of static, text-based Web courses to include audio- and even video-based content in some of its learning programs. Schwab U—through the Learning and Technology Innovation unit led by Harry Wittenberg—introduced use of streaming video to deliver soft-skills training. It created two programs: Performance Management and Career Development. The company has therefore been using video on demand, although not on the scale that Cisco has, which it has formatted to fit Schwab’s intranet and which can handle several hundred simultaneous viewers. The company keeps most content behind the firewall; the only externally hosted content is that for testing the skills of new job applicants.

The Schwab culture—at least before the stock-market meltdown—encourages innovative uses of technology. The company’s rapid growth and business success in the
1990s provided the funding for experimentation, so Schwab was one of the first FSCs to use games and simulations (see the LoD report *Games and Simulations in eLearning*). The company also began using simulations with short video segments that targeted customer-service and support staff. However, the new financial realities and dramatic cutbacks everywhere have put all further experiments and new eLearning investments on hold.

In July 2000, when the LoD program published *eLearning along the Value Chain*, Schwab’s customer-learning efforts were new, and only three courses were available at the company’s Learning Center Web site—though even this small-scale effort was more advanced than that of most other companies. At the time, Schwab also used Contigo’s i2i Internet-conferencing product. Today, Schwab’s customer-learning offering has expanded to include the following elements:

- **Number and variety of courses.** Schwab offers 19 courses in six categories: Getting Started, Managing Your Portfolio, Other Investing Strategies, Mutual Funds, Stocks, and Bonds. DigitalThink has created these courses in cooperation with Schwab subject-matter experts.

- **Online workshops.** Even in today’s difficult environment, Schwab continues to offer online workshops: It offered nine in May 2003. Users can also access materials from past workshops in an online archive.

- **WebEx online conferencing.** Schwab is now using WebEx and allowing customers to gain access to audio, video, and presentation materials through a simple user interface. Such Web conferences and Webcasts (or “Webinars”) are gaining popularity and will most likely see widespread use for customer learning in the next few years. Webinars are a cost-effective way both to build customer loyalty and to prospect for new customers (attendees must register and submit contact information to join).

- **A more visible learning link on Schwab’s home page.** The July 2000 LoD report commented that Schwab’s home page offered no reference or hyperlink to the Learning Center, a fact that was mystifying because it had been a point of criticism in a U.S. Securities and Exchange Commission report on online investor learning. Today, however, Education & Resources is clearly visible on the main menu of Schwab’s home page, and the Education & Resources page has links to articles and tools, self-paced courses, and investing workshops. Some of the courses use Flash to make the content presentation more interesting. With Macromedia Flash Player becoming ubiquitous, this type of content presentation will likely see growing use.

Although Schwab’s current financial situation is a major constraint on the company’s eLearning efforts—at least for the near term—the company’s current problems probably do not represent a long-term setback for eLearning at the company. As Table 17 shows, Schwab’s portfolio of eLearning tools and products at Schwab U is wide ranging, and although the dramatic cutback in staff significantly reduces the need for training and learning in the company, the remaining staff will need access to rich learning materials to stay on the leading edge. Given that customer focus is more important than ever, the company may place even more emphasis on customer learning than it has in the past.
<table>
<thead>
<tr>
<th>Tool/Product</th>
<th>Description</th>
</tr>
</thead>
</table>
| Schwab U Presents (Asynchronous tools)                                       | • Provides a “virtual brown bag” to employees that is accessible anytime, anywhere on the network  
• Seeks to develop awareness of a topic area and provide a foundation for more in-depth learning later through other venues  
• Delivers a video-on-demand platform that presents content via streaming audio/video to the desktop and synchronized PowerPoint slides and video captioning  
• Keeps segments five to seven minutes long to hold learners’ attention  
• Includes links to reference materials and question-and-answer feature and provides an e-mail link to an HR generalist |
| Leadership Forum Online (asynchronous tools)                                 | • Provides on-demand review of a live one-time-only presentation  
• Aims to develop awareness of current issues  
• Offers technology and experience similar to those in Schwab U Presents  
• Includes downloadable reference materials                                                                                                 |
| Web-based training: Performance Management Online Course (blended learning, granular learning objects, and learner-centered content) | • Offers a blended online course that teaches managers to set objectives, provide coaching and feedback, and write performance evaluations; developed this course in-house  
• Provides on-demand access to in-depth course content anytime, anywhere on the network  
• Includes live facilitation at the beginning and end of the course  
• Enables collaborative learning  
• Offers stimulating skill practice  
• Includes self-assessment as well as end-of-course evaluation  
• Provides direct links to references on the Schweb (Schwab’s intranet)  
• Designs each unit as separate learning objects, which users can run independently even after they complete the course  
• Will include enterprise-specific case studies in the next revision                                                                                                                                  |
| Online Performance and Learning (performance support)                        | • Provides a knowledge base of management practice and strategies to complement classroom training (both developed by Development Decisions International)  
• Links tightly to instructor-led course material  
• Is available on demand to meet learners’ needs                                                                                                                                                    |
| New Employee Resource Kit (performance support)                              | • Provides a task-oriented interface with direct links to existing tools and references on the Schweb  
• Provides a clear taxonomy of useful Web links scattered throughout the Schweb                                                                                                                  |
| MindLeaders (asynchronous/ performance support)                              | • Provides on-demand access to skill-building content in desktop applications  
• Offers a learner-centered design that provides just the content a learner needs                                                                                                                   |

Source: Charles Schwab
Merrill Lynch
In terms of revenue or assets, number of retail offices, global reach, and brand and name recognition, Merrill Lynch has for years been one of the top players in the securities industry. Although the company no longer dominates as it once did and has seen its financial performance deteriorate dramatically in the past few years (sales dropped from $44.9 billion in 2000 to $28.2 billion in 2002), it is still a key player and will continue to influence how the industry evolves, even if it ends up merging with another major institution.

In keeping with its overall leadership in the industry, ML has been an early adopter of new technology that is now commonplace in most banking operations. Some emerging technologies, including streaming media to the desktop, Extensible Markup Language (XML), and Web services also are finding application in learning and training. In a demonstration of its commitment to technology and to finding new ways to process information and display it more conveniently and effectively to analysts, ML concluded a five-year agreement with the Massachusetts Institute of Technology in March 1999. The agreement had two components:

• A $15 million joint research initiative for collaborative projects in financial engineering and technology innovation and management. Andrew Lo, director of MIT’s Laboratory for Financial Engineering, is also the lead instructor in the Executive Education program for high-potential employees at ML that MIT created with ML and the Otter Group (see below). Because MIT is one of the leading U.S. universities in eLearning research and tests new forms of eLearning for its own programs, this collaborative research program could have interesting longer-term implications for ML’s eLearning program.

• A $5 million charitable gift to help MIT establish a new graduate minor in financial technology. This program is part of the Financial Technology Education Initiative, a joint effort at MIT’s Sloan School of Management and Department of Electrical Engineering and Computer Science.
ML’s current eLearning program has two key elements:

- **ML University (ML-U).** ML-U is the “new and improved” version of the ML Learning Network, which until January 2003 was the main delivery platform and network for ML’s eLearning resources. ML-U is an enterprisewide, global network that serves as the company’s delivery network and as its LMS (which ML developed internally). ML has extensive training resources for employees, including more than 300 courses (for online delivery or for use in classrooms, in its large training facility in Princeton, New Jersey) and other learning materials, such as best-practice cases that are available over ML’s intranet-based portal. ML’s training targets specific audiences, including executives (leadership training), managers, and the many financial advisers in the company. The company delivers basic training and learning materials online, finding the approach to be more flexible and cost-effective than use of traditional classrooms.
Because cost pressures are now more intense at ML than they have been in a long time, ML-U will no doubt see increasing use, particularly as its capacity and reach expand greatly beyond those of the ML Learning Network. Because ML is increasingly creating XML-based content, it will be able to use a wide range of information as learning materials.

- **Executive Education.** One result of the ML-MIT agreement is a highly successful training program for high-potential employees in Global Debt Market, a unit of the Corporate and Institutional group at ML. This exclusive program, under the leadership of Lo, selects 35 employees from Europe, North America, and Asia for participation. The program, now in its third year, provides a highly blended model for learning, combining lectures available on CD-ROMs or online (via Sloan’s course-management platform, SloanSpace). The program emphasizes team-based, experiential learning, with tight links to the student work environment. Thus, a great deal of communication and collaboration happens asynchronously via the Internet, though participants also use telephone conference calls (the program has not yet used WebEx or similar tools). In 2003, ML made some important changes in the program design and has already seen major improvements in the results, according to Kathy Goldrich, who manages the program at ML. According to Goldrich, key outputs of the program are ideas for new products and services that ML’s Corporate and Institutional group can implement. Although the program has always produced great ideas, follow-up and implementation of these ideas have been less successful. To improve this part of the program, ML invited Deborah Ancona, professor of Organizational Studies at the MIT Sloan School of Management, to create processes and procedures for improving the implementation of the new product and service ideas that the teams of five or six students come up with during the program. The program change has already had a significant impact, and two of the new product ideas from the 2003 program have already seen implementation, even before the program’s completion. Such a measurable impact will no doubt help build support for the program’s continuation, even in times of tight budgets. Moreover, ML’s new strategy focuses more than ever on developing and selling sophisticated, high-margin products to wealthy clients. This shift may bring a related shift in ML’s overall learning strategy, and on its eLearning elements, by targeting high-quality learning resources on “high performers” and “high potential performers.”

Other developments at ML that could greatly affect future eLearning programs are in digital-content management—an area of growing interest to all companies with a growing amount of content to manage (both for reuse and for leverage across channels and in different formats). As companies increasingly use XML for content management and move toward Web services (see LoD Bulletin, Third Quarter 2002), tools for digital content management will have increasing relevance for eLearning-content creation and management. Indeed content-management companies (like Documentum, Interwoven, and Stellant) increasingly see eLearning as a subset of their business focus.
Merrill Lynch has for some years explored the issues and technologies of digital-content management as well as of eLearning content. One of ML’s pilot projects established a taxonomy for content that its sales force needed to access over the Learning Network. This and other content-management projects at ML have addressed the following issues:

- **Metatagging and content repositories.** Once a company assigns metatags to content modules, or information objects, and places the information in repositories, managing and accessing content become much easier than before. Particularly for companies with documents or other content that undergoes frequent but relatively minor changes—as financial markets change, for instance—object-based content and the use of metatags and repositories can bring significant time and cost savings. A key driver for the pilot project was the need for ML’s sales force to have a quick and easy way to obtain updated content objects from the Learning Network. A number of companies—like IBM, Epicentric, iPlanet, Oracle, Plumtree, SAP, Sequoia, Sybase, and Viador—are active on this front, providing portal-creation software that enables searching, indexing, and personalization of general digital content or learning content.

- **Content-creation tools.** ML and other FSCs are awaiting easy-to-use tools that will facilitate the creation and management of digital content, especially tools that allow users easily to update XML content for multiple media and wide distribution. For instance, to provide a word-processor-like experience while creating and working with XML, ML uses browser-based XML editors.

- **Learning objects.** Tools within LCMSs put learning content in any media in the form of learning objects for delivery to any device (see the LoD report Learning Objects: Key Issues for Future Growth and the LoD Travel Report: ADL Plugfest6 and the Relevance of SCORM). Firms like Learning Object Network (http://www.LearningObjectsNetwork.com) have been working with ML and other FSCs to create learning-object–based content both for internal learning and for customer-facing applications.
The near-term future of learning and eLearning at ML is uncertain, especially because many internal and external developments could contribute to either increasing or decreasing use of eLearning. The collaborative agreement with MIT will expire in 2004, and no one knows what will then happen, given that today’s business environment is dramatically different from the environment at the time ML and MIT signed the agreement. But the executive program has been popular and successful and may thus continue. Because ML-U provides a learning-delivery infrastructure with probably small marginal costs for maintenance and upkeep, and because it gives learners greater flexibility than classroom training does, this infrastructure will likely see increased use.
even in the short term (especially for delivery of ML-owned content). The areas most likely to suffer are the creation and acquisition of new content, unless advocates can clearly demonstrate the positive impact of such investments on business performance.

FUTURE PERSPECTIVE AND ACTION STEPS

What lies ahead for eLearning in the financial industry? Some findings give clues to the future:

• **Financial-industry dynamics favor eLearning adoption.** A number of factors at work in the financial industry favor increased use of eLearning, even if the speed of change on some fronts (including M&A) will be slower in the next few years than it was in the late 1990s. But globalization, consolidation, convergence, and other developments will continue to create conditions in the financial industry that favor increased use of eLearning.

• **Weak financial performance constrains eLearning programs.** The financial realities for many players in the banking, insurance, and securities and investment sectors are problematic, so FSCs will scrutinize all types of investments more closely than ever. eLearning must therefore clearly demonstrate cost-effectiveness to gain new investment funding. But organizations like Bank of Montreal and GN have had success on this front and have gained strong senior-executive support, illustrating that a difficult business environment need not stop new eLearning investments. Many other examples, such as the success of WBT Systems with Credit Suisse, further demonstrate that FSCs have important compliance and other training needs that they must satisfy, even with today’s highly constrained budgets.

• **FSCs around the world now have formal and informal learning programs.** Even as eLearning gains adoption in FSCs, both users and eLearning developers need to understand that overall corporate performance impact will depend on the mix and effective interplay of learning-program components. Today, most organizations don’t excel in designing highly effective blended learning programs and understand even less how elements play together to affect business performance. But examples of best practices and case studies continue to emerge and will help eLearning advocates gain senior-management understanding and support.

Future Demand

Given current conditions, the financial industry is unlikely to have strong demand for eLearning in the near future. However, significant opportunities will still exist for well-placed eLearning developers that can identify FSCs that have strong needs as well as the ability and willingness to pay for eLearning products and services. Opportunities are likely to emerge in the following areas:
• **Compliance courses.** FSCs have had and will continue to have significant needs for compliance training, and eLearning can meet these needs more cost-effectively than classroom training can. A number of eLearning developers have had continued success on this front, even during the past few years. FSCs have no choice but to meet compliance requirements, and with continuing cost pressures, online delivery of such courses will be increasingly attractive. But because a growing number of vendors are developing courses in a variety of compliance areas, competition will intensify and cause profit margins to shrink in many parts of this segment.

• **Sales and marketing courses.** FSCs are shifting from transaction-based to solution- and relationship-based selling, and they are also shifting their focus to high-income/wealthy customers. This strategy will require extensive training of thousands of financial advisers and other sales and marketing staff in FSCs. At least some, and likely a growing share, of this training will take place online. Because the quality of soft-skill eLearning content has improved steadily in recent years, eLearning-content vendors will find growing opportunities as FSCs try to improve the effectiveness of their sales forces and accelerate revenue generation.

• **Hosting and outsourcing.** With today’s cost pressures, the opportunity to save money by shifting certain HR and training functions to outside firms will become increasingly attractive to FSCs. Some FSCs have already decided to go this route, and others will no doubt follow suit, especially as vendors make their value propositions more attractive. Strong reference cases that demonstrate benefits and overall business impact will help convince others that such options are worth exploring.

• **LMSs in large FSCs.** In general, LMS vendors will see growing opportunities to provide hosted solutions, but global organizations with compelling scale economies and the ability to gain cost efficiencies by streamlining worldwide operations will be attractive customers for licensed sale of behind-the-firewall systems for major LMS vendors.

These and other opportunities will exist in varying degrees in organizations, though compliance courses will be in demand by all FSCs, large and small. Organizations that are relatively new to eLearning and have low adoption will mostly favor small pilot installations in corporate departments, divisions, or business units, so they are not likely to be candidates for enterprisewide LMS deployments (they are at the low end of the eLearning-adoption curve in Figure 15). However, many FSCs with medium to high adoption, and thus with more significant eLearning experience, will be looking to expand their limited eLearning deployments into enterprisewide applications. These organizations will be strong targets of opportunity for the major LMS vendors, such as Saba and Docent, as well as for SAP, Sun, Oracle, PeopleSoft, and others. A number of large FSCs are evaluating LMSs from large enterprise-application companies—such as Sun, SAP, and PeopleSoft—because they believe that these companies can integrate LMSs with other enterprise systems more quickly and easily than traditional LMS-focused companies can.
Figure 15
eLEARNING-ADOPTER SEGMENTS

Experienced and Sophisticated Adopters
• These organizations have at least four or five years’ experience with eLearning.
• All have LMSs or LCMSs** and a wide range of courses and other learning material accessible online.

Less Experienced but Keen Adopters
• These companies recognize the need and benefits of eLearning but have not yet found the resources and executive support to accelerate adoption.
• This group has good prospects for eLearning vendors when the economy improves.

Late Adopters
• Relatively few financial-services companies (FCSs) are in this group, which has used little eLearning until now.
• Primary use of eLearning is for compliance training.

* High adoption is 25% or more of all learning, medium adoption is 5% to 24% of all learning, and low adoption is less than 5% of all learning.

** LMS = learning-management system; LCMS = learning-content–management system.

Source: SRIC-BI
Action Agenda

Increasing competition in the eLearning industry and improving products and services have placed eLearning customers in a more favorable position than in earlier years. A proliferation of eLearning options still confuses many buyers, however, especially those who are relatively new to eLearning and don’t have a clear idea of what they need and want.

Financial-Industry Adopters

As the GN case study shows, having a clear vision and plan can help ensure successful implementation of eLearning, so buyers need to do their homework to understand their own internal capabilities and needs and to determine how they can most effectively use eLearning. FSCs also need to take a broad-based approach and consider eLearning within the framework in Figure 3—including extended-enterprise applications as well as more narrow, internal training needs. As the case studies in this report illustrate, FSCs increasingly recognize these opportunities and are extending eLearning both to business partners and to customers.

eLearning professionals of some FSCs have visited other companies—including many FSCs—to observe their implementations and learn about their experiences. These visits have provided useful input for these firms’ planning efforts. Today, most eLearning customers are much more sophisticated buyers than they were some years ago, and the tighter budgets that most organizations have today have no doubt led to more careful planning and smarter decision making by eLearning customers.

State Farm—see the box on page 55—has used a collaboration and eLearning platform to build an internal community of practice among its eLearning staff to improve communication, collaboration, and sharing of information and documents. Using eLearning—in this case, in an informal way, with no course work—in the work of the eLearning team is good practice and is likely to improve the chances of successful eLearning deployment. Although communication through conference calls is a good start for large global organizations whose staff members are distributed across many time zones, synchronous communication can be difficult. Moreover, the lack of a platform for document sharing and storing can cause inefficiencies and difficulties. Thus, global organizations in particular should carefully evaluate whether investing in one of the many tools available for virtual team collaboration is a cost-effective option.

eLearning Developers

As buyers become smarter and more sophisticated, eLearning developers must be better prepared to answer the growing list of questions and issues that eLearning customers raise during the buying process. Buyers want realistic descriptions of what they can expect during and after deployments: They want to know how much time is necessary to put systems in place—installing or integrating eLearning systems with existing legacy systems—and they want to know what impact their new systems are likely to have on their organizations. Strong, detailed, and credible reference cases are an important part of this process and can help educate prospects about other FSCs’ experiences.
To be most effective with new customers, sales and marketing staffs need strong knowledge of how a wide range of companies and industries use their products and services and what benefits have resulted. But customers will also want to know about eLearning experiences in their own industry and about their competitors’ eLearning experiences.

Just as the eLearning staff of State Farm created a community of practice for its internal eLearning team, eLearning developers should create industry-specific teams that collect, analyze, and share information and generate insights about key developments and emerging opportunities in the financial industry. For large companies with worldwide staffs, gaining input from different regions and sharing best practices and success stories through a financial-industry–focused scanning and monitoring team can build the expertise and insights necessary to create successful sales campaigns (see Figure 16).

![Figure 16](image-url)

Source: SRIC-BI
BEST-PRACTICE LESSONS FROM HP’S “NONSTOP U”

Although Hewlett-Packard (HP) is not a financial-services company (FSC), a 25 April 2003 presentation by Tom Hill—program manager of the Education & Training Center of HP’s NonStop Enterprise Division (NED)—to the eLearning Forum about its online university, or “NonStop U,” offered some good lessons that apply to FSCs as well as to high-tech companies. Below, Tom Hill briefly describes his experience at NonStop U.

Hewlett-Packard’s NonStop Enterprise Division, formerly Tandem Computer, Inc., two years ago faced a combination of issues in developing new approaches in product training for its sales and support staff worldwide. HP cut travel budgets, training money was difficult to obtain, and with the downturn in the economy, management wanted employees to spend more time on the job. In September 2001, the Advanced Learning Technology group at NED deployed an online university system for presenting product-training material to thousands of HP staff. The system is now in use by more than 2300 users in 47 countries, and participation is growing at 10% per month. During this project, the team has learned several best practices in developing successful online learning systems, including the following key practices:

• **Graphical intuitive user interface.** The first version of NonStop University (NSU) used primarily underlined uniform-resource-locator links to interactive multimedia content. This approach simplified users’ access to content to a certain extent. However, when system developers introduced an icon-graphic user interface with the same set of learning content in the library, use doubled in one month.

• **Development of communities.** HP first envisioned the system as a delivery system for online learning content. In the first phase, this approach worked well, but the NSU programming staff then began noticing that the number of users and amount of use were not increasing as fast as they had at the beginning. The team decided that the NSU applications and content needed to have stronger connections to the end-user community and that a need existed to “close the loop” by gaining users’ feedback on new content or services. Within four months of implementing user councils, discussion groups, and job-focused centers on the NSU system, use increased 126%, and the number of active users doubled each month.

• **User-centric content.** The NSU system uses a player that combines video, a transcript, and PowerPoint slides with discussions, feedback learning checks (quizzes), links to Web sites, and documents as attachments. Users can select content and view presentations online or download them for later viewing. The software helps users select the content they want to see, in an iterative, nonsequential manner that relies on a powerful topic-search function in a Verity database engine. HP surveys of users indicate that 80% of respondents use the NSU content as a reference resource and look for short “learnlets” of content. Users control the speed of content presentation and the manner in which they view the content. This level of user control has caused per-user use of content to triple since the inception of NSU.

NED’s user councils generate a variety of new ideas, add content, and help the eLearning team set priorities for managing the NSU applications and services effectively to meet users’ learning needs and satisfaction on the job. Next, the NSU team will develop a customer-facing system that engages customers in a continuous dynamic relationship with NED staff to enhance their understanding of and interest in HP NED products.