

Outsourcing Enterprise Learning

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The business process outsourcing (BPO) market has been a reality for decades. Many of the core functions of a corporation, such as information technology, retirement and payroll processing, have been outsourced. Now, the issue on the minds of chief learning officers is—will the BPO market now target the learning and education (L&E) department and bring similar strategic benefits?

Learning BPO has been defined by industry analyst firm IDC as “the transfer of management and execution of one or more of a company’s ongoing learning processes or the entire learning and education function to an external services company.” Outsourcing has been tried before in our industry and has not met with success. Remember the FORUM/DuPont outsourcing deal that was announced with much hoopla in the late 1990s and then met with grave concerns?

The reason outsourcing fell out of favor five years ago, according to Ed Boswell, CEO of FORUM, was simply the wrong value proposition. “When FORUM entered the outsourcing marketplace, it was to take cost out of the learning department. The emphasis we now have is on adding value through process improvements and strategic guidance in how to link learning to business goals,” said Boswell.

Now, the influx of complex learning technologies, a drive for cost-effectiveness and a move to run the learning department as a business are driving a number of corporations to examine outsourcing as a strategy for growing the stature of the learning department rather than downsizing it. But how will learning BPO evolve in the next few years? Will outsourcing focus on the large multimillion-dollar deals where the entire learning function is managed by a third party, or will there be an emphasis on creating strategic out-tasking relationships with best-of-breed suppliers?

Michael Brennan, corporate learning program manager of IDC, considers learning BPO to be a strategic part of the transformation of any organization’s learning and education function. “Essentially, I see corporate training departments looking for ways to re-engineer so they are accessible to global employees, offer personalized self-service learning and utilize the latest technologies. While there are several examples of outsourcing entire learning and education departments, I see the momentum in out-tasking critical learning and education functions and core programs,” said Brennan.

Since 2001, the American Society for Training & Development (ASTD) has documented 20 major companies or government agencies that have opted to outsource either the entire learning and education function or significant aspects of it to third-party firms. Figure 1 recaps a sample of these learning BPO deals to show the range of services offered to clients.

Figure 1: A Sample of Learning BPO Deals

Firm: IBM

Client: U.S. Army

Term: Five years

Date: December 2000

Services: IBM designed eArmyU portal and provides such ongoing services as program management, portal maintenance and enhancement, student support services, technology package, distribution, asset management and repair services, quality and performance management.

Results: eArmyU has retained more than 20 percent of all eArmyU students, and to date 181 eArmyU students have earned college degrees. Approximately 35,000 enlisted soldiers are pursuing a higher-education degree through eArmyU.

Firm: General Physics

Client: Texas Instruments

Term: Three years

Date: January 2002

Services: GP provides development, delivery and administration of professional development training to support Texas Instruments’ Worldwide Training and Organization Effectiveness group. This includes such services as finding sourcing and providing professional development courses and instructors for both classroom, blended and online learning, providing a robust content course library in leadership, project management, customer service, business acumen, financial literacy and interpersonal skills and execution of all administrative logistical and marketing functions.

Results: The GP/TI partnership is responsible for the conversion of more than 50 percent of training from classroom to Web delivery, consolidation of over 300 training vendors to the selection and management of best-of-breed training vendors, a cost reduction of more than 15 percent in the first year of operation, increased speed in response time to training participants and business unit clients and assistance in the development of human capital strategy.

Firm: Accenture

Client: Avaya

Term: Multi-year

Date: January 2001

Services: Accenture is responsible for working in partnership with Avaya business leaders to establish strategic goals for effectiveness and efficiency of the learning department, monitor quantitative and qualitative measures of success, determine content sourcing/content acquisition and develop and convert content from classroom to the Web, manage performance support services and provide administration services for learning in 90 countries around the world.

Results: The Avaya and Accenture partnership provides Avaya with the speed and global scaling of training the company requires to support the rapid introduction of new products and services. Specific results include reducing time to proficiency by 60 percent for technical training associated with new product launches, experiencing cost savings of more than 30 percent from new pricing models that leverage costs over multiple clients, launching the Avaya Center for Professional Development, leading to an increase in employee participation in learning and increasing e-learning in the curriculum mix to more than 50 percent.

Firm: RWD Technologies

Client: DaimlerChrysler

Term: Multi-year

Date: 1991

Services: RWD provides technical training services, logistics and planning, process mapping, performance support services, conversion of

classroom to e-learning, lean manufacturing courseware and consulting services.

Results: The RWD/DaimlerChrysler partnership has experienced cost savings of \$4 million related to more efficient use of classroom time and structured exercises, and \$750,000 in savings at one plant's new vehicle launch achieved by reducing time for equipment training. RWD has won the coveted Gold Pentastar for Supplier Excellence four times since 1991.

Firm: Delta College Corporate Services

Client: Saturn Corporation

Term: Five years

Date: 1998

Services: Delta College Corporate Services is a new entry into the learning BPO marketplace providing automotive technical training delivered to retail dealership technicians, facility investment capital and facility management for four technical training centers in the United States.

Results: The Delta College/Saturn partnership has resulted in cost savings of more than \$3 million since inception and has led Saturn vehicle repair to be ranked No. 1 in 2001 by JD Powers. This is the first time since 1996 that a non-luxury car has won this award. Delta College has also received the Top Supplier of the Year Award from Saturn for the last three years.

While some like Accenture/Avaya have taken over the entire learning function, others such as RWD/DaimlerChrysler or General Physics/Texas Instruments are focusing on strategic out-tasking of a technology platform or human resources administrative functions. This emphasis on strategic out-tasking makes outsourcing a viable strategy once again for operationalizing the vision of a learning department and ensuring that learning is a strategic lever for the growth of the organization. Figure 2 shows the types of learning services that clients are considering for outsourcing.

Figure 2: What is Being Outsourced

PROCESS TYPE	DESCRIPTION
IT Infrastructure	Learning management system Learning content management system Virtual classrooms Standards compliance Student support services Online tutoring
Administration	Learner registration and cancellation Class setup and scheduling Measurement and tracking Instructor sourcing, facility management Print and fulfillment of course materials Vendor selection, contracting and management
Design, Development and Delivery	Program design and development Program delivery via classroom, blended or Web Conversion of classroom to Web Delivery in multiple languages across the globe
Strategic Assistance	Establishment of governance model linking learning to business needs Program management Needs analysis Business planning and strategic planning Performance consulting with line business units

Fueling this interest in outsourcing is the fact that a new breed of outsourced partners has emerged. Large enterprise-wide vendors like Accenture, IBM Consulting and General Physics are able to provide global and regional program management of the learning function, resulting in the design and delivery of better, cheaper, faster learning solutions for both internal employees as well as customers and key stakeholders.

Drivers in Considering Learning BPO

As client companies consider whether or not to pursue learning BPO, six drivers are moving the learning BPO model to a "perfect storm"—resulting in outsourcing becoming a major initiative in many learning departments. When these factors come together, CEOs pursue learning BPO as a way to help them evaluate the business impact of their learning programs and use learning to win new business in the marketplace. As CEO of Avaya Don Peterson said, "The Accenture/Avaya partnership was not a cost-reduction exercise; rather, it was a value-creation proposition to transform our learning function and use learning to sell more products."

Taken together, the main drivers for pursuing an outsourcing initiative include:

Increase Cost-Effectiveness: While companies want to focus on cost savings, the real opportunity is to create a zero-based cost-recovered learning function where an outsourced partner can assume the job of transforming a learning operation to be more efficient and managed to a tight set of cost parameters that can change with business and industry dynamics. The cost efficiencies come from tighter project management of the learning function, aggressive vendor consolidation and management and conversion of classroom training to e-learning modules. For example, in the Accenture/Avaya partnership, Accenture is committed to moving the Avaya training, known as Avaya University, from being 70 percent instructor-led to more than 70 percent e-learning over a three-year period.

Defer Capital Investment: Beyond achieving cost efficiencies, companies are also looking for ways to avoid an up-front capital investment in technology. For example, in the RWD/3Com University outsourcing deal, 3Com was able to avoid building a centralized registration, an e-commerce engine and online testing/certification capabilities by outsourcing these functions to RWD. David Metcalf, chief learning technologist for RWD, believes that in addition to the savings in capital investment, the fact that the IT infrastructure was up and running in just five months eliminated the opportunity cost of building and managing this effort in-house.

What's more, the IT infrastructure costs can typically be lower due to the supplier's economies of scale, which are distributed over the life of the contract—many times three to five-plus years—rather than incurred at the outset. From a practical perspective, learning BPO is an example of mass customization, where a supplier invests in the technology and service solution and then customizes this to each client's needs and requirements. Since it's faster and cheaper to buy than it is to build, the cycle time to implement a solution is reduced significantly.

Create More Consistent Levels of Service: As U.S. companies continue to focus on growth strategies beyond North America, often global employees do not receive the "right training at the right time." Dan Miller, vice president for business development at General Physics, has found that several of the General Physics outsourcing contracts are extending from North America to overseas. Miller said, "In both the Texas Instruments and Agilent outsource deals, the focus is on designing, developing and delivering a standard global solution for learning around the

world. That means managers in North America, Asia and Mexico all can experience similar training in a project-management methodology and use this to work together more effectively.”

Shift Investment Risk: A fourth related driver of outsourcing is that it shifts the client’s investment risk from a fixed cost to a variable cost. In many corporate learning departments, staff, facilities and technology costs are fixed. Often this cost is also distributed between corporate and business units, so it is difficult to impact or control when economic conditions change. But in an outsourced model, the supplier bears the responsibility to downsize when the economic conditions dictate or to upsize when the conditions improve and the demand for learning increases with business needs. This type of business risk mitigation is a crucial part of a learning BPO contract, and the ability of a company and its partner to continually identify ways to share this risk will be a critical success factor.

Increase Speed of Response: A fifth and important driver is increasing the speed of response between the learning and education department and its key stakeholders—business units, customers, dealers, distributors or end-user consumers. For example, Chris Draper, Accenture’s partner responsible for the Avaya University relationship, points to several performance measures achieved by Accenture in transforming Avaya University, such as reducing time to proficiency by 60 percent for technical training associated with a major new product launch and increasing the use of e-learning in the Avaya University curriculum mix by 116 percent from the previous year. Texas Instruments and its outsourced partner General Physics were able to move from an instructional design staff of 10 to a core group of two General Physics project managers while decreasing the cycle time of designing new programs. Kathryn Collins, worldwide head of training and organizational effectiveness at Texas Instruments, said, “Our staff of instructional designers were excellent subject-matter experts, but our clients needed an increased speed in implementation and response to business needs. This required a different skill set and one that we wanted to be variable rather than fixed.”

Become a Strategic Business Partner in Meeting Organization Goals: Perhaps the most important factor in considering outsourcing to advance the agenda of chief learning officers is to utilize an outsourced partner to free up administrative time so in-house training staff can focus on strategic issues of linking learning to business strategy. Business unit leaders are increasingly demanding that the corporate learning department become a value-added business partner to assist in the implementation of their strategy, accelerate change and retain talent. At the same time, studies from ASTD show that staff time and effort is being consumed by administrative responsibilities, such as maintaining databases, managing and fulfilling training materials, administering tuition reimbursement processes and selecting and managing myriad training vendors to service an increasingly complex staff function.

Engaging a learning BPO partner can be a way to reconcile these conflicting roles and allow the corporate learning department to take on a more strategic business partnership role. For example, Draper of Accenture said that while there have been operational gains since Accenture took over the management of Avaya University, perhaps the most significant one is the strong process Accenture put into place to align learning investments to business strategy. Figure 3 shows the roles and responsibilities behind building this alignment, which allows Avaya University to focus learning on core business needs.

Figure 3. Governance Model for Avaya University



Learning BPO: The Future Is Now

While outsourcing of key learning functions has been in place for decades, we have now reached what I call the “tipping point” in learning services. The theory of tipping points, with its roots in epidemiology, is well known. It hinges on the insight that in any organization, once the beliefs of a critical mass are engaged, conversion to a new idea will spread like wildflowers, bringing about fundamental change in processes as well as the overall organization.

In the case of learning BPO, while several large deals were signed between 1999 and 2001, there is a resurgence of interest now in targeting business process outsourcing to the learning and education department. The increased use of technology may be one catalyst, but I believe the larger one is the growing need to manage the learning department as a business unit—putting into place strategic management capabilities and tight project management milestones. While the emphasis seems to be on strategic out-tasking of key functions, such as technology implementation, human resources administrative tasks, tuition reimbursement and, most recently, customer education, the goal is clearly to add value to the products and services of a learning department.

This increased demand in learning BPO is consistent with the findings of the 2002 ASTD State of the Industry Report. This report found that companies are spending 22 percent of training expenditures with outside firms, up from 19 percent in 1999. The group of ASTD pioneer firms in the Benchmarking Forum reported increases in outsourced spending as high as 30 percent of total training expenditures.

Dave Bornt, CEO and president of AchieveGlobal, believes he has the explanation for this increased interest in learning outsourcing. “Companies are interested in providing a common core learning curriculum around the world. CEOs see this as a way to drive increased shareholder value. Pioneering firms will be those that understand learning can contribute to expanding their core business,” he said.

Finally, Doug Harward, CEO of Exceleation Group and a veteran of the Nortel/PwC outsourcing deal, sees a future learning department where almost half of the staff are employees of the outsource partner. This may seem aggressive now, but it’s a scenario that keeps coming to the forefront as companies seek outsource partners to increase their efficiency while adding more value to the learning department.

Forward-thinking CLOs are already considering learning BPO as a key element in the implementation of their strategy. These CLOs work within organizations that share similar characteristics, such as:

- Achieving a goal of zero-based budgeting for their learning function.

- Implementing a share-services model for human resources.
- Committing to achieving economies of scale and consolidation of training vendors.
- Viewing speed of knowledge transfer as imperative to their success in the marketplace.

Learning BPO has arrived, and just as the tipping point theory has proven, such a movement will be unleashed by vocal chief learning officers who demand change.

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