

HR Learning Outsourcing

What We've Learned – and You'll Want to Know – About Comprehensive Learning Outsourcing

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Learning business process outsourcing (LBPO) has been a recognized outsourcing candidate since the 1990s, but it has not developed in the ways initially predicted. Why? This article charts the evolution of LBPO and analyzes both the potential and realized advantages of the current state of the LBPO model based on research recently conducted by the EquaTerra learning team.

In the Beginning We Thought Learning Would be First

Nine years ago, when Human Resource Outsourcing (HRO) started, most of us felt learning was an obvious candidate for early adoption. It had it all:

- Generally agreed end-to-end process definition courtesy of learning's academic roots (see Figure 1);
- Years of out-tasking experience particularly in development, delivery and vendor-supplied courseware;
- Onerous and only partially automated administration around course catalogs, registrations, reporting, certification tracking and recordkeeping; and
- Developing e-learning and learning management system (LMS) technology.

In short, we thought outsourcers would quickly line up to take on learning. And they did – for the administration, the supporting technology and service center/help desk. Counter to our predictions, however, that is the way it has remained. In fact, almost 50 percent of revenues for learning outsourcing firms still come from administration and e-learning delivery (technology).

Learning End-to-End Process

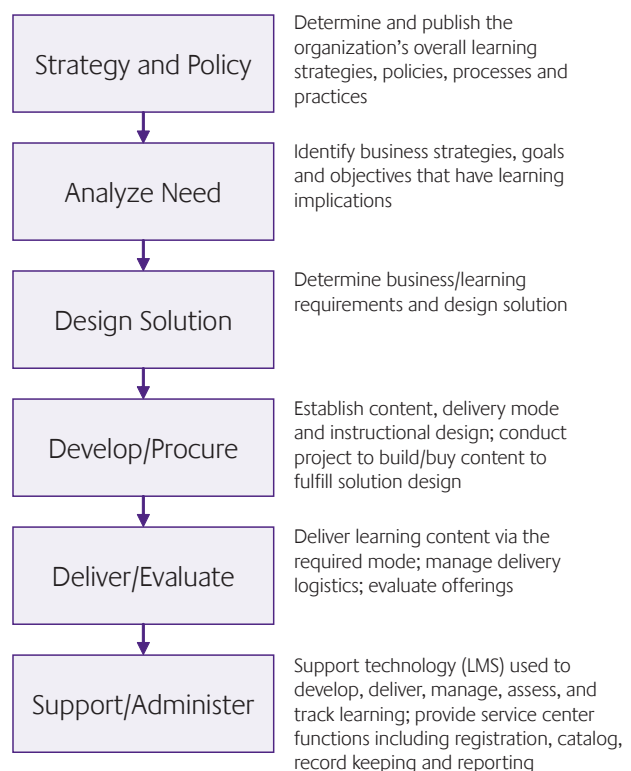


Figure 1

Why has the reality failed to live up to expectations and why has LBPO generally stopped at administration and technology? To discover the answer to this question, we examined EquaTerra's experience with learning outsourcing and did primary research in our database. What we discovered indicates that, if phased in properly, LBPO can still play a key role in corporate talent development.

In all EquaTerra's Buyer Pulse Surveys, respondents characterize their approach to learning outsourcing as "selective" rather than "comprehensive." So, why is learning business process outsourcing still not implemented to the extent we believed it could and should be?

EquaTerra's Research and Methodology in Learning Outsourcing

As we tried to answer that question, our analysis pointed to a few factors that, when combined, planted the idea with clients that they must accomplish several difficult organizational changes to achieve an uncertain return within the context of an overall HRO effort. We reached this conclusion based on an analysis of EquaTerra's experience with 1) HRO projects that included some aspect of learning, and 2) comprehensive LBPO projects.

Organizational complexity was one challenge in taking a full view of the LBPO opportunity. The effort required to fix the problems of dispersed data, resources and budgets, diverse ownership of learning components among HR, IT and business units (BUs) was disproportionate to the return that most clients were likely to realize. We analyzed EquaTerra's experience with HRO projects that included some aspect of learning and comprehensive LBPO projects. During the last five years, EquaTerra has conducted 20 such projects, both in the United States as well as globally. The clients spanned many industries, including hospitality, financial services, consumer products, telecommunications, public sector, pharmaceuticals, high tech and public utilities.

First, we analyzed the projects, looking for commonalities that would answer the question of why no HRO included LBPO-level scope? And the corollary question of what was there about LBPOs that led them to be stand-alone projects? This analysis yielded important and actionable information for clients, providers and advisors which we have detailed in this report. In several cases, the individual circumstances present in particular organizations gave the project a special interest. For four projects which had unusual aspects of their learning scope, we supplemented the data analysis with interviews with clients and their EquaTerra advisors. These projects are included as narrative case studies.

Looking across the two categories of projects, one difference is immediately apparent: None of the HRO deals that included learning services of any kind reflected learning development or design. In these transactions, the broadest learning scope was LMS, administration and corporate/soft skills training. For the stand-alone LBPO projects not done in conjunction with an HRO, all included administration, LMS, development, delivery and design.

Learning as Part of HRO

Upon looking more closely at the learning aspects of the HRO deals, we found clients entered the project with a variety of goals. Some clients began them wanting to include only learning administration or LMS; others specifically mandated the broadest possible scope of learning. Whatever the starting point, the results by the end of the project were relatively narrow in focus:

- Learning scope was limited to areas under the control of HR (soft skills, management and leadership, on-boarding, supervisory, HR program support, i.e., annual evaluation refresher for managers).
- Where the client requested broad learning scope including hard skills (BU-specific, sales-related, channel or sales partner training, technical or safety learning), most of this scope was removed during the course of the project.
- In a few cases learning was entirely removed from scope.
- A minority of cases also had corporate/soft skills training.
- In all cases core learning scope at contract signing was LMS and administration.

Across all the HRO projects studied, even with initially expansive requests for learning scope at the outset of the project, learning scope was either out altogether or much reduced at contract signing.

Was the burden of extensive learning scope in a multiple process transaction too onerous? Was there a lack of provider service or technology? What led to the results found?

The follow-up interviews with EquaTerra advisors and clients point toward these considerations:

- Learning budget and accounting data capture: Clients had multiple and incompatible financial data capture and budgeting systems/practices in use. This limited clients' ability to obtain consistent, comprehensive data organization-wide.
- Business unit learning owners' resistance to outsourcing: BU executives who viewed control of learning spend, content and delivery as an essential part of their business process.
- Insufficient data available to define learning development parameters: Where course development started out in-scope, unable to define current volumes and spend in sufficient detail to allow credible pricing.
- Internal politics and customs: In-scope staff and/or technology budget owned by BUs or IT. Gaining buy-in and cooperation from these groups often was difficult or impossible within project framework.
- Outsource business case requirement: Learning currently under-invested so outsourcing would require net investment in learning, thus diluting the HRO business case.

From this analysis it appears there is nothing inherent in the learning process itself that prevented broader scope being included. Rather, the limiting factors seem to have been the organizational deployment of learning resources, reporting structure, data availability and financial systems. All these issues are common to other HR processes as well. However in learning, they resulted in re-defining scope. It is likely

the difficulty in resolving the issues combined with little or no contribution of learning to the business case made limiting scope or removing learning altogether the most practical decision in the project context.

The two case studies below represent projects where the clients requested broad scope learning at the outset of the HRO project. The narrative case study illustrates how the various aspects of the organizational context and project drivers interacted to produce a more limited result. Although the projects are two to three years apart, provider capability was not a factor in these case studies.

Projects described in the article focus on the highlighted portions of the services cycle.

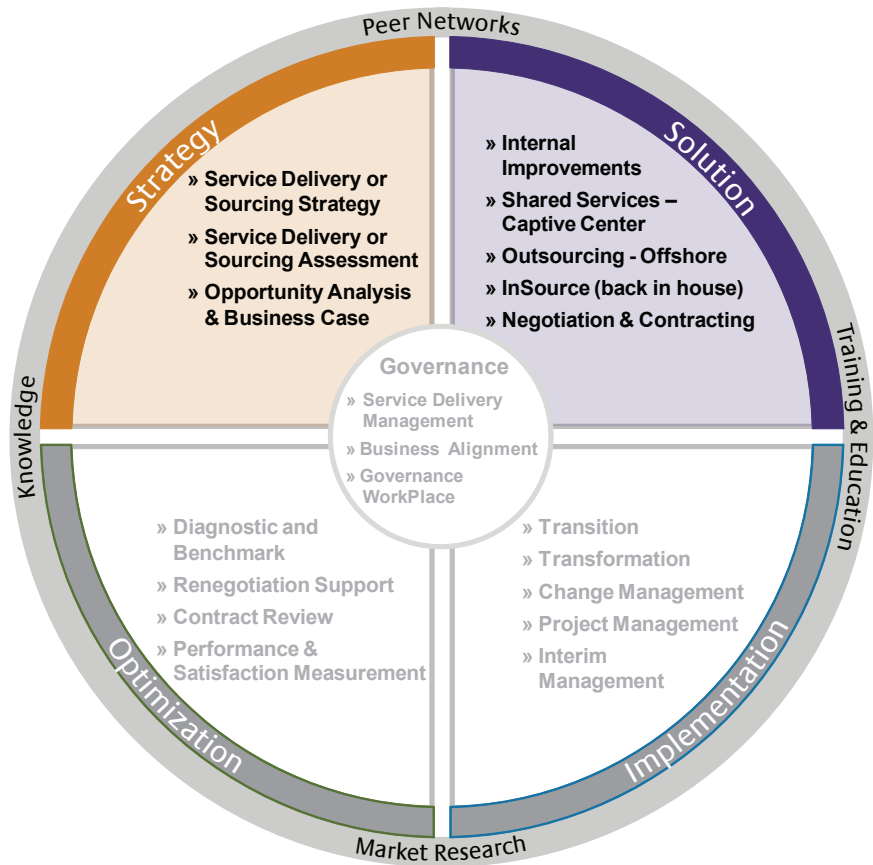


Figure 2

HRO Case US – 2004

The client specified full-scope HRO across all processes in this major hospitality company. Its centralized learning function offered a full suite of operations, soft skills and career development learning to a widely dispersed employee population. The main project driver was to outsource as much administration and operations work as providers could accommodate. Prior to this project, the client had outsourced a single process and was happy with the result.

The desired outcome was to enable increased focus on strategy. While the client expected some savings to result from outsourcing, there was no target dollar or percentage specified. The business case was developed at the HR department level – the client was open to using savings in one HR area to fund necessary investment in another so long as some level of net savings could be shown for the outsourcing overall. Company officials anticipated learning would contribute little or no savings.

The existing learning model reflected a considerable amount of proprietary content, and the company had some in-house development and delivery staff. The client wanted a new LMS, outsourced administration and delivery as well as some outsourcing of course development (amount and type to be determined by provider capability and pricing).

The project delivered outsourcing for LMS, administrative functions and self-service course registration. As an unanticipated by-product, the project also delivered an education on outsourcing for learning leadership. Development and delivery were taken out-of-scope due to the difficulty of addressing proprietary course content. Post-contract signing the client's learning management team used its outsource education to re-visit learning development and delivery during the next several years as internal projects. By the time the company re-evaluated expanding learning outsource scope it found the target functions transformed, out-tasks and converted to contractor instructors so effectively that no business case for further outsourcing remained.

HRO Case Global – 2006-2007

This pharmaceutical industry client wanted full scope HRO across all processes globally as part of a CEO-led organization-wide HR realignment. Historically the organization had Business Unit-centric HR delivery and process ownership. A new Chief Learning Officer (CLO) had been appointed with a specific mandate to centralize the function. In the future state service delivery model, BUs would still control BU-specific training and would still fund it themselves. The CLO would control corporate and soft skills training in addition to development, tracking/monitoring and compliance globally. The company was no stranger to HR outsourcing, having outsourced several administrative and support functions already.

Under the umbrella of the organizational realignment, the main project drivers were (1) the need for a major investment in technology, (2) global workforce geography shifts and (3) an HR spend analysis that revealed an unacceptable cost increase curve if the current state was maintained. The new CLO was open to the idea of outsourcing but required convincing that outsourcing would be a better alternative to an internal shared services approach. At project start, learning was still highly de-centralized and a decision had been made to retain the current LMS. Once convinced that outsourcing was desirable, scope expanded from LMS hosting/maintenance and administration to include development, especially development of e-learning.

At contract, learning scope was reduced to LMS hosting/maintenance and administration. The project team still felt advantages existed and potential savings could be realized in outsourcing development. In addition to the team's project responsibilities, team members had devoted a great deal of effort to an attempt to gather enough data and spend information to permit including development in-scope. However, the de-centralized history of learning worked against them. The client had multiple financial systems, and costs could not be assembled across systems in sufficient detail to allow reliable pricing.

Even today, the project team remains so convinced that significant savings are to be had in outsourcing development that it plans to continue work to resolve data issues. The client team expects to go back to the market with an RFP to outsource learning development in the near future.

LBPO – Learning Stand-Alone

We define LBPO as multi-function learning outsourcing which includes at least some portions of delivery, development and design. In EquaTerra's experience LBPOs have been stand-alone projects not connected to an HRO. However, the case studies reveal a relationship between the two. In one case the LBPO came several years after the HRO, and, in the other, the LBPO went ahead after HRO had been investigated and rejected. In both cases, it appears the discussion of HRO introduced the topic which the learning function then acted upon independently. In EquaTerra's experience LBPOs have the following characteristics:

- They occurred as an independent project separate from any HRO.
- Scope included delivery, development and some solution design activities in addition to administration and LMS.
- Scope encompassed hard skills learning supplied to the BUs.
- They were undertaken in response to strong CEO mandated initiatives for cost reduction/stabilization.

As in the HRO deals discussed earlier, we conducted interviews with the outsource clients and EquaTerra advisors. These revealed the client had done a great deal of work and preparation prior to the outsource project. This work effectively neutralized the resource dispersion and financial reporting difficulties noted in the discussion of HRO projects above:

- In one case, the successful LBPO was the second attempt at outsourcing learning. A prior project that included only LMS and administration revealed the desirability of broadening scope.
- Recently named executives for learning had either a specific mandate to outsource, or a requirement to meet CEO defined performance improvement targets.
- Learning organization had been centralized in management, budgeting and reporting prior to beginning the outsource project.
- Cost reduction and increased efficiency were major drivers.

The case studies below show how the characteristics of individual companies influenced the course of the project. For example, in one case the client had already achieved 60 percent e-learning; in the other, e-learning was 5 percent of total delivered training. There were two key enablers that allowed these projects to proceed smoothly in both organizations. First, the BUs viewed learning as a trusted partner, and second, the learning functions were centralized under a single leader.

LBPO Case – 2004-2005

This client in the telecommunications industry had outsourced most of the HR function several years earlier. At that time, it considered including learning with the HRO, but felt the function was too de-centralized and resources too dispersed both in reporting and budgeting for learning outsourcing to succeed. For the following three years the client worked to centralize learning functions, financials and staff under a corporate CLO.

The outsourcing project started in the third year and occurred in two main stages. First, the client launched a project limited to LMS and administration. The assessment phase of this effort revealed a need for a multi-million-dollar investment to improve technology. This decision came at the same time the organization was under considerable financial pressure to streamline and reduce staff while maintaining support for new products and business initiatives. The project team concluded an LBPO could provide enough savings to fund necessary technology improvement and still deliver the required amount of net savings for learning overall. The drivers for the LBPO project were to meet a required percent of savings after funding technology improvements, to outsource as much of the end-to-end learning process as the provider could handle and minimize retained staff in a center of expertise model.

As a second stage the client commissioned the LBPO project. By then learning staff and the related financials had been removed from the BUs and reported to a newly appointed CLO with a mandate to make outsourcing happen. To achieve the required savings and fund technology improvement, the project team needed to look at outsource scope from the broadest possible perspective. The final scope included LMS hosting/maintenance, administration, delivery, development, design and some aspects of needs analysis.

Because of the client's need to show immediate savings as well as other internal organizational considerations, the project team and selected provider agreed to "lift and shift" as-is operations on a short turnaround. Once this operation had been stabilized, the provider would proceed with the agreed-upon transformation and implementation of the new LMS. In order to make this happen in the short time dictated and in the midst of a full calendar of learning offerings, the provider re-badged a number of client learning employees and managers.

The "lift and shift" portion of the transition went well. As the client's learners and learning sponsors still dealt with many of the same people as before outsourcing, service quality was largely maintained. The client's concentration on implementing a comprehensive governance team allowed the development, design and needs analysis components to be meshed smoothly. The transition to the new LMS had some issues. The provider had taken over a highly customized LMS in place for some time. Its replacement was to be a commercial product implemented with minimal customization. Because the learner community had to accustom itself to a new "look and feel" for access and courseware, this transition took some time and presented challenges for the governance team.

LBPO Case – 2006-2007

This energy client began by commissioning a multi-tower (HR, Finance and Supply Chain) outsourcing project to respond to a CEO-driven corporate performance improvement plan. Within the company, the technical learning team had already been exploring the possibility of outsourcing and had already had preliminary discussions with potential providers. When other areas of HR dropped consideration of outsourcing, technical learning decided to go ahead with an RFP.

The newly named Director of Technical Training was an engineer. As a way to understand his new domain, he began to gather data and study it in depth. His study suggested outsourcing could help achieve such objectives as increasing the percentage of e-learning, controlling the number of emergency training requests from the BUs, developing and delivering training to set standards, and measuring learning output and impact. These objectives became all the more urgent to accomplish under the corporate performance improvement plan.

With the major drivers being the performance improvement plan and the related enterprise technology move to SAP, the learning group decided to pursue an LBPO. Its scope would include LMS technical support and assistance with the soon-to-be-

installed SAP Learning Solution (LSO), administration, development and delivery. The transition plan called for moving existing operations to the outsource provider prior to implementing the new SAP LSO.

The transition to SAP LSO had its issues. A major goal was to provide a solid base for increasing the proportion of Web-delivered e-learning. The interaction of the LSO with the company intranet provided some challenges as well as some employee resistance to the increased level of self-service (instead of shared services center assistance).

The technical learning group was viewed as a trusted partner by the BUs to such an extent that the learning staff was asked to perform non-learning duties by its customers. This made both the accurate charge-backs to the BUs difficult as well as the determination of available resources in learning. The client's strategic goals for learning outsourcing are now being met, and the client is seeing increased flexibility and speed in producing learning as well as continuous improvement in the learning process.

Based on This Evolution, Where is Learning Headed?

One of our LBPO clients said he expects comprehensive learning outsourcing will remain a niche activity. His reasons are that necessary data is often difficult to find or not available at all; it is difficult to drive efficiency to the degree needed to achieve savings, and it may often be hard to prove the value proposition for learning's impact on corporate performance in a given client. Certainly there are conflicting views on how to measure return on investment in learning, and the level of difficulty in achieving credible metrics is highly dependent upon the organizational context and customs.

On the other hand, EquaTerra has a successful track record of including learning in global HRO projects and we are convinced any organization serious about globalization and integration of its infrastructure should include learning in its outsourcing. Rather than a "global big bang" with all the attendant challenges of aligning multiple functions and owners and the complexity of developing a comprehensive business case at the outset, we see learning delivery as something that may be implemented in the following phases:

- Establish centralized technology/LMS: Provide centralized capture of volumes and other metrics useful in building the business case
- Add purchased content and third-party vendors: Identify and centralize these often large expenditures, and implement a vendor governance process
- Address in-house developed content and instructor-led course delivery: Utilize the improved metrics and experience with the client's learning operations to pinpoint areas of best value add

The traditional BPO approach envisioned by our client accepts the possibility that the difficulties of gathering data and proving the value proposition are givens of the organizational environment and generally are not addressable in an LBPO project. The phased approach outlined in the preceding paragraph attacks the same problems proactively by phasing learning outsourcing to centralize and control the sources of data, thus putting the client and provider jointly in a position to base further phasing decisions on current and credible metrics. Depending on the client's goals, all three phases can be included in the initial outsource project with one or more pricing and scope "true-ups" as the next group of activities are added to the mix.

The two approaches have different implications for the future of LBPO. The traditional approach accepts that LBPO may not be feasible without internal prerequisite work which could take a year or more to accomplish. Therefore, where the window for mounting an outsource effort is narrow, or organizational will for undertaking large projects is limited, learning may be excluded completely or postponed for an extended time.

The phased approach shows how to begin now, to build further data development and to capture it into the provider relationship. This method may also take several years to accomplish, but it has the advantage of putting learning under the outsource tent from the beginning and thus making data capture the joint responsibility of the client and the provider. This increases both the probability that the data will be captured in a systematic fashion and also the credibility to both parties of the resulting information.

What does the future look like for the learning portion of an HRO? Based on EquaTerra's experience, it looks much the same as LBPO: preparation is critical. There are preparatory steps an organization planning an HRO or LBPO should take:

- Centralize learning operations, budgets and staff as much as possible. If it is not possible to introduce a CLO structure with all learning functions reporting to the CLO, a regional or line-of-business consolidation will help.
- Conduct a preliminary analysis of probable learning scope and gain agreement before the project starts as to how staff resources outside HR or only partially devoted to learning responsibilities will be handled in developing the business case.
- If IT owns the running, maintenance and upgrades for the LMS, make sure it is on-board with the project and participates appropriately throughout.
- Assure the project has executive sponsorship committed to a successful outcome and with enough muscle to resolve jurisdictional disputes.
- Capture financial data on learning spend, especially third party vendors, purchased content and contract instructors in a single system as much as possible.

A Final Note – Learning Outsourcing in the Current Economy

In the past, learning spend has often been feast or famine. Companies developed learning, increased course offerings and learning events during good economic times and then cut back severely at the first sign of economic stress in their industry or geographies.

Many learning organizations are like those discussed above with data on major spend either incomplete or undefined. They are particularly vulnerable in the current economy since costs that cannot be identified cannot be managed, controlled or defended. Even though executives generally believe a better trained, more competent workforce delivers more profitable results, economic pressures will not allow them to operate based on a belief that cannot be quantified or measured. When costs and benefits of learning cannot be properly defined, executives are more likely to cut first without waiting for explanation.

So, it is encouraging to see the increased level of research focused on developing value metrics applicable to learning in business enterprises. Current research encompasses a range of approaches from adaptations of the traditional financial ROI concept to various methods of capturing and expressing the organizational impact of learning. These efforts are a welcome contribution to the challenge of developing meaningful measures of this important function.

An important rationale for learning outsourcing has been to control and stabilize costs. Undertaking learning outsourcing in this economy can be especially valuable as it requires focus on capturing current costs accurately and completely, centralizing learning ownership, specifying value propositions, expected benefits/outcomes and managing the learning function on a systemic basis. It may be that only when these steps have been taken that a company can effectively measure its return on learning investment. Increasingly companies depend upon their “human capital” for their competitive edge and their long-term viability. The old adage “my company’s assets go home every night” is applicable to more and more companies and industries today than ever before. The jury is still out on whether learning will ever live up to its billing as “the next big thing.” But, perhaps, the chances are better this time around since learning is recognized as being a key component of the larger issue of talent.

So what have we learned about Comprehensive Learning Outsourcing? If phased in correctly, if the proper preparations are made, if the correct ROI metrics are established with sound governance and less focus on transactions, a company can expect continuous improvement, increased flexibility and speed to market. The end product can be a better understanding of BU strategic needs and the ability to meet them. Companies that are willing to take those first steps will be winners in achieving the best learning outsourcing models.

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