

E-LEARNING



By Kevin Oakes

Will e-learning be the catalyst for outsourcing?

Maybe you've seen the TV commercial—one of those quirky IBM ads. The boss is lying down in his psychiatrist's office and describing a recurring nightmare, in which he's on a hot-air balloon that's quickly sinking. In the nightmare, the boss and a partner are frantically throwing things overboard to stay aloft. At one point, everything is gone and the boss gives his partner an evil look as if contemplating whether to throw him off the balloon. The tagline: "We live in an on-demand world. Reduce expenses."

That ad accurately sums up the thought process of most CEOs when the subject of outsourcing comes up. The thinking goes along these lines: "Let's focus on our core competencies and reduce expenses by outsourcing the rest and paying for it only when we use it."

Many core functions of the typical corporation are now outsourced. For example, it's likely that your paycheck is processed by a third-party vendor and your 401(k) or 403(b) is also probably handled externally. It would be common if your company's data center and storage facility are managed by other firms.

The question—and it's not a new one—on many people's minds is whether learning and the training and development functions fall into the same camp.

These days, outsourcing is big business. Corporations have become accustomed to IT outsourcing and application outsourcing, but another category—business process outsourcing—is generating a great deal of discussion within the t&d community across the globe. The discussion is heated because BPO isn't outsourcing small segments of a business; it's outsourcing the entire kit and caboodle.

Industry analyst firm IDC defines

business process outsourcing as "the transfer of management and execution of one or more complete business processes or entire business functions to an external services provider." Gartner predicts that the worldwide BPO market will be US\$234 billion (that's right, with a *b*) by 2005, growing at 14 percent per year. The BPO market has attracted some big players, notably Accenture and IBM, who have built up large practices over the past few years. And some analysts on Wall Street are calling the BPO market "recession-proof" since its popularity has grown during an economic downturn and recurring revenues have resulted in strong financial results for suppliers in this sector.

Whether those indicators will work for the corporate training function is hotly debated.

"The corporate training market seems primed for business process outsourcing," says Trace Urdan of ThinkEquity Partners in a press release for Intrepid, a new start-up in this area. "The combination of a complex learning technologies market, increased focus by corporations on cost containment, and an expanded openness to outsourced solutions suggests the market is finally ready for such a venture." A key phrase here is *finally ready*. Outsourcing has been tried before in our industry, and, in most people's opinion, it failed miserably. In the mid 1990s, the idea of outsourcing the training function skyrocketed to the top of the agenda—and just as quickly fizzled. In early 1998, *Training* magazine reported on "The Great Outsourcing Stampede That Never Happened," and a Gallup survey showed that "reports of the death of the internal training department have been greatly exaggerated." The value propositions of the

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1990s were different. Then, it was about cost takeout. Now, it's about business improvement.

One of the first companies to make a splash in outsourcing training during that time was the Forum Corporation of Boston. "Forum got into the [outsourcing] business originally because everyone was focused on the concept of 'do what you do well and outsource the rest'—much like what Nike was doing with shoes: handling the design and marketing but outsourcing the manufacturing," says Diane Hessian, who used to oversee the outsourcing business for Forum but

ably dispersed throughout most corporations, with many "decision makers" who have authority to spend money on training. "Outsourcing the entire training department won't work because training is a different beast than IT services," says Lance Dublin, an independent management consultant based in San Francisco. "In most companies, training is *too* decentralized. In the typical company, more than 50 percent of the dollars spent on learning and development are not controlled by a centralized organization. IT is the reverse: Almost 100 percent of that spend is centrally controlled."

ing contracts as of this printing is by Avaya, a spin-off of Lucent Technologies. Avaya is the largest supplier of voice communications systems in the United States and the second largest in the world. Avaya has contracted with Accenture Learning, a relatively new division for the largest consulting company in the world, and a renowned expert on outsourcing. Under the multi-year agreement, reportedly worth hundreds of millions of dollars, Accenture assumed management of Avaya University and is now responsible for more than 1800 product, technical, and business courses for Avaya employees, customers, and channel partners in more than 90 countries. Although the contract covers all aspects of learning within Avaya, e-learning plays a significant role. Over the next five years, Accenture has publicly committed to aggressively moving towards an environment in which 70 percent of the learning happens via e-learning; currently, more than 70 percent is instructor-led.

"One of the levers to achieving the real business value [attainable by outsourcing training] is being able to do things on a global scale, and that makes the technology discussion very important," Hap Brakeley, the partner in charge of Accenture Learning, told me recently. "The sophistication of the technology, in addition to ancillary issues such as industry standards, has increased the technical complexity of today's learning solutions. Yet, the scalability and better integration of components provide more leverage across an enterprise and enable much greater economies of scale. At Accenture Learning, our ability to take an enterprise-wide view with a common set of tools and technologies makes it easier for us to work across multiple business units to rapidly achieve that scale than a company trying to do it internally."

Says Rich Wellins, senior VP at Development Dimensions International, "I think technology will become an en-

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now heads up Communispace Corporation. "Although many large organizations, such as DuPont," says Hessian, "bought into the vision, it was difficult to get buy-in from internal staff, despite immediate cost savings of 10 to 15 percent.

"Part of the controversy was that it was difficult to centralize something that had been controlled at the local and divisional levels," adds Hessian. "Then there was disagreement about whether any company should completely outsource something as 'precious' as people development to any outsider. It's more complex and emotional than traditionally outsourced functions."

Part of the complexity comes from the hard fact that the t&d function is incred-

It is, however, the role of technology that is offering renewed interest in outsourcing. Many observers now think e-learning might be the final catalyst that will make outsourcing a major portion of the learning function. The complexity of integrating disparate learning technologies, and the amount of administration and maintenance for those systems, make outsourcing e-learning attractive. When you combine those factors with having purchasing power for off-the-shelf content, the creation of proprietary content, and other associated services, the idea of outsourcing the entire learning function is starting to resonate with corporate buyers.

One of the biggest learning outsourc-

abler for all HR outsourcing.” DDI has a learning outsourcing group. “However,” says Wellins, “I still see the primary driver being cost, not quality. I’ve never seen anyone say, ‘Let’s outsource because our training is terrible.’ It boils down to a pure cost decision made by the CEO and CFO, not usually the head of HR or the chief learning officer.” Wellins is right. This generally is a CEO-driven decision centering around cost-savings initially, but that doesn’t mean that quality doesn’t eventually follow. The Avaya experience is a case in point.

cific curriculum planning won’t be successful when outsourced to a third party. In reality, a significant amount of the subject matter taught at many organizations—such as desktop training, leadership development, compliance, and OSHA training—is neither strategic nor proprietary. For proprietary content that requires subject-matter expertise, outsourcers are often partnering with external training companies and, in many cases, employ the very subject matter experts that were displaced as a result of the outsourced contract. Traditional IT outsourcers have dealt with these issues for several years.

ing at this like any other outsourced business? If so, I think that’s a mistake.”

Accenture’s Brakeley would argue that the learning function in most organizations isn’t as strategic as it could be and outsourcing to an experienced firm can help. “Like it or not, most training and development organizations today aren’t tied to the attainment of business objectives, nor are they running training as a business. They rarely take the time to ‘close loop it’ by getting measurement and input from their customers. That is where technology plays a big part, by making it possible to have centralized management and measurement. Only then can a company evaluate the business impact of its learning activities.”

IDC agrees with that point of view. In a new report “Training and Development: Fertile Ground for BPO,” IDC comments that “many CLOs, VPs of training, and HR at Global 2000 organizations think that optimization of their talent necessitates a state-of-the-art technology platform that facilitates blended learning delivery, learner and content management, and centralization of third-party purchases.”

Dublin theorizes, “Technology will play a leading role in any outsourcing situation. “And it will require C-level relationships. IT companies are therefore well positioned in this market. Without these relationships, I think it’s hard to make this work.”

It seems clear that the outsourcing failures of a few years ago aren’t dissuading even bigger players from trying to make outsourcing t&d successful, and technology will play a key role. Whether that is too strategic to keep the balloon from sinking is an issue I expect will be debated in the t&d community for many years to come.

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“Accenture jumped into the new role, implementing its learning management process for us and applying innovative technologies to many of our new courses,” says Avaya CEO and chairman Don Peterson in a recent case study. “I’m very pleased at the speed at which Accenture has taken up this opportunity.” Avaya credits its decision with transforming Avaya University into an award-winning corporate university, successfully supporting the largest introduction of a new product in Avaya’s history. But a major hindrance to outsourcing learning is that there are few success stories like Avaya’s.

Additionally, naysayers are quick to point out that proprietary functions such as strategy development and company-spe-

But even with their outsourcing and technology experience, are the traditional IT outsourcers of the world the right companies to handle outsourcing of learning?

“A critical success factor to make training outsourcing work is having the core capability of understanding learning,” says Hessian. “One thing I question is what large, traditional IT outsourcing firms really know about learning. Are they look-

Contact Kevin

Email your questions on e-learning to be answered in future articles to kevin.oakes@click2learn.com.

Kevin Oakes is CEO of Click2learn (NASDAQ: CLKS), producer of the Aspen Enterprise Learning Platform.