

At a gleaming new facility just south of Denver, a whirl of corporate learning activity is afoot. More than 100 people are busily developing curricula and courseware, cranking out newsletters for students, answering helpdesk phone calls from inquiring learners, devising certification tests, and supporting a variety of students from around the world. When the telephones ring, as they incessantly do, some are answered with a cheerful, “Good Morning, Avaya Learning Centre.” Other callers may be directed to teams supporting Washington Mutual Bank or Citrix. Yet, there’s one corporate name those callers won’t hear—that of the facility’s operator Accenture.

By Paul Harris

The lure of cost-savings and other incentives are prompting more organizations to outsource their entire learning function, or large portions of it. But trainers shouldn’t feel threatened, say insiders. They figure that within 10 years, half of them will be working for outsourcing partners.

# Outsourced Learning: A New Market

The complex is officially known as the Accenture Learning Content Development Center of Excellence. It's similar to operations run by the global consulting firm in Chicago, New York, and England, as well as those that can be accessed in India and Argentina. It also represents a trend that some experts predict will soon sweep the corporate world: outsourcing of the entire learning function.

Although the numbers still don't suggest a tidal wave, there has been a noticeable surge within the past two years of companies seeking to satisfy their learning needs through outsourcing, and in the supply of suppliers vying for the privilege. In some cases, it amounts to an extension of a fast-growing trend in BPO (business process outsourcing) of the corporate HR function. But for other companies, it's strictly learning they want to off load.

Since 2001, some 20 major companies have opted to outsource their entire learning function or significant aspects of it, according to industry estimates. Along with Accenture's Learning Solutions unit, suppliers targeting the market include IBM Global Services, the consulting-outsourcing division created last year with IBM's acquisition of PricewaterhouseCoopers's consulting practice. Meanwhile, the growth in HR outsourcing has prompted several large providers such as Convergys and ACS to include training as a piece of the solution. (Two other IT and HR outsourcers, Exult and EDS, have yet to seriously target the learning space.) Others in the game include General Physics, RWD Technologies, newcomer Intrepid Learning Solutions, and Raytheon.

In a recent survey conducted by industry analyst firm IDC, corporate executives were asked what functions they would consider outsourcing within the next 12 months. "Training was number 1, higher than sales and marketing, HR, finance and accounting," reports Michael Brennan, corporate learning program manager.

Both RWD and GP were launched by entrepreneur Robert W. Deutsch. RWD's ATS (Applied Technology Solutions) division specializes in advanced Web-based business and learning solutions for Internet-dependent companies. The division offers a hosted e-learning approach called University360.

### Many outsourcing incentives

Incentives to outsource the learning and training function are clearly coming from both directions. Among corporations, they reflect the widespread desire to eliminate fixed costs, focus on core competencies, become more strategic, and contain the high and unpredictable costs of enterprise learning. This is especially true in volatile industries such as communications, mortgage banking, and high-tech.

"Keeping functions in-house requires specialized skills and resources, investments in infrastructure, and staying abreast of technology evolutions," says Accenture. "All this, while companies are struggling to boost revenues and enhance—or at a minimum maintain—market position and service levels for customers." Outsourcing offers an alternative with short- and long-term benefits, it argues.

But perhaps the bigger news comes from the supplier side. With thanks to technologies, including the Internet and scalable, enterprise learning, the economies of learning BPO have changed radically. It's now possible to leverage those heavy fixed costs among multiple clients via service centers such as Accenture's Denver facility, and to do it from anywhere in the world.

"Suppliers recognize that learning is a supply-chain problem for companies, so they're providing a value chain here with multiple components integrated across platforms," says Tom A. Kraack, a learning solutions partner within Accenture's Human Performance Group. "They don't just provide individual solutions," he says.

Suppliers also recognize that training is a highly disaggregated function, says Kraack. "Disaggregation leads to simple inefficiencies, such as multiple contracts with the same supplier. Outsourcing creates opportunities for both significant efficiencies and coherent strategies." He claims that the time-

honored supplier-client outsourcing relationship, with its transfer of some process or technology to a provider with a predetermined set of expectations, has been trumped by a close partnership that typically includes risk and gain sharing, among other provisions. One byproduct of these partnerships appears to be a new description of the term *training BPO*: "the outsourcing of multiple processes dealing with training and development functions." Traditional point solution deals, or any specific set of deliverables around a process, are now deemed "out-tasking." Another driver, of course, is money, especially where necessary downsizing is an issue. Savings of 30 to 50 percent can result from new pricing models from providers that leverage their costs over multiple clients, say experts.

Typifying this new arrangement are Accenture's contract with Avaya and a two-year-old agreement with British Telecommunications that includes both HR and learning services. More than 200 Avaya employees worldwide were hired by Accenture to serve their former company and other clients. More than 80 of them toil at the Denver facility, which is also home to Avaya University. The University serves 17,000 Avaya employees and double that number of channel partners, suppliers, and customers in more than 90 countries. "We deliver more than 100,000 student days through blended learning, an end-to-end services solution," says Chris Draper, Accenture's partner responsible for the Avaya University relationship.

Accenture's smorgasbord of blended learning solutions includes strategic alliances with a handful of e-learning firms. A customized version of Docent's LMS is supported globally on Avaya University. Click2Learn's Aspen LMS has been selected as the default solution for new clients. Virtual classroom activities run on Interwise, and iAuthor is used to write custom content. The concept creates a factory approach to content development, all part of a value chain with multiple components.

"The deal structured with Avaya assumed Accenture would be successful in serving multiple clients as time progressed," explains Draper. "We have committed to deliver more for the same price over time, so we have

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to get more people leveraging our capabilities" <@accenture.com.

For its part, Avaya was primarily interested in "variabilizing" costs, increasing scale and reach, improving speed, and reducing costs over time. "At the time [Accenture] took over, 80 percent of [Avaya's] classes were instructor-led. Now it's less than half," says Draper. He notes that Avaya learning programs are critical to new revenues as Avaya customers achieve maximum business value when solutions are configured to meet business challenges—some-

thing that is conveyed in Avaya University training.

### Nortel opens the door

The new era of corporate learning BPO dawned with a bang in 2000 when Nortel Networks signed a five-year, US\$620 million contract with PwC to outsource a variety of activities, including learning, HR, supply management, and accounts payable. With \$178 million of that figure targeted for learning, it ranked as the largest corporate training outsourcing contract, and even today is exceeded only by the Avaya deal. It also ranks as outsourcing's largest and most successful repatriation project since, two years after the contract was launched, the bottom fell out of the communications industry and a suddenly smaller Nortel was forced to bring the activities back in-house. PwC's performance wasn't an issue in that retrenchment decision.

The contract awakened both corporations and service providers to outsourcing's solid potential as a corporate learning alternative and a mutually advantageous partnership. "The Nortel contract demonstrated the enormous opportunities in outsourcing of the learning function," says Douglas Harward, the former Nortel executive who headed both the outsourcing and repatriation initiatives. Harward is now CEO and managing partner of The Excelsation Group LLC, a Durham, North Carolina-based consulting firm that helps companies frame an outsourcing strategy around learning <@theexcelsationgroup.com.

The contract also occurred just as "the continued push for profitability began to turn many heads on

the demand side of companies,” says Harward. Instead of viewing corporate training on a cost basis, companies began to look at training strategically, he adds.

Indeed, the success of the Nortel-PwC contract, and the reasons behind it, prompt Harward to predict that as many learning and training employees will be working for BPOs as with corporate training departments within 10 years. For suppliers, the Nortel contract was a watershed event, agrees Thomas J. Starr, a former PwC official involved in the deal who is now senior principal of learning services at Convergys. “People continue to view it as a model of what’s possible to outsource,” he says.

The potential to earn big money also drew their attention, claims Starr. “These long-term contracts include a degree of ‘technological entanglement’ that makes it difficult for a client to switch suppliers,” he says. Case in point: Accenture’s contract with Avaya is a seven-year deal worth \$300 million.

#### IBM sees a larger context

When IBM puts its enormous marketing muscle behind an endeavor, it generally gets results. And when it tells corporate America in saturation advertising to “jettison fixed costs,” you can be sure the message is heard in boardrooms across the country.

E-learning is an integral part of that larger message aimed at helping companies make the transition to an on-demand environment and gain value from their intellectual capital. IBM’s business consulting practice offers a variety of services, including outsourcing and out-tasking of learning and HR activities. Flexibility is paramount because every client’s need is different. “Our role is to transform the learning experience,” says Jill Kidwell, who leads the Global Learning Outsourcing practice within IBM Global Services. That’s why IBM refers to its activities as BTO (business transformation outsourcing) rather than BPO.

“Learning must help drive business results,” insists Kidwell. “We focus on how you can bring learning into your environment to transform it.” She says IBM creates environments that let companies use

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outsourcing capabilities as needed, instead of building huge fixed costs internally.

Steve Rae, the business unit’s vice president of e-learning services, agrees that e-learning is intertwined with that transformation. “As companies continue to find their way in these challenging economic times, they will become enlightened to the strategic implications of a good learning strategy. Those initiatives they’ll be grappling with will either be done internally or outsourced.”

Within IBM, says Rae, the same concept has had an impact on the sales process and driven savings to the bottom line. “We represent a passionate prac-

itioner and have applied these disciplines to ourselves,” he says. To be sure, one factor that distinguishes IBM from others is its emphasis on the e-learning space as a critical component of its business, contends Rae.

IBM’s acquisition of PwC Consulting last year brought in an enormous outsourcing contract, the U.S. Army’s eArmyU project. The higher learning initiative has assembled a collection of 21 colleges and universities so soldiers can earn degrees and certificates via Web-based courses <a href="http://earmyu.com">earmyu.com. Other suppliers include Blackboard, Saba, and PeopleSoft. Kidwell supervises IBM’s eArmyU contract as program integrator. She says IBM’s corporate clients will benefit from experiences gained from the contract, such as how it reapplies savings generated from sharing cost structures. Such gain-sharing “extends the scope of what we envisioned through savings we’ve generated,” she says.

Another outsourcing client is BNL, one of Italy’s largest banks. IBM will revamp how BNL delivers learning.

#### Motorola gains a partner

When it comes to strategic partnerships between client and provider, nothing to date compares with the arrangement struck between Motorola and ACS Corporation. Dallas-based ACS, a provider of BPO services in IT and other fields, gained instant exper-

tise in learning and HR last December when it partnered with Motorola to manage all HR and training activities worldwide for the company.

A 10-year \$650 million contract created a new business unit called ACS Global HR Solutions, which seeks to become a major player on the worldwide stage for HR and learning BPO. Motorola transferred some 650 key HR and learning employees to the ACS payroll, and it will share in the venture’s fortunes once revenue projections are met.

The partnership meets the needs of both companies, explains Fred Harburg, vice president and CLO of Motorola and president of Motorola University. “Motorola decided it wanted world-class management of administrative and transactional functions associated with HR efforts, including training and development,” he says. The partnership also eliminated fixed costs during a downsizing campaign, while allowing Motorola to concentrate on its core competencies.

Meanwhile, ACS gains Motorola’s service center, employee portal, and a solid foothold in the burgeoning field. One of the supplier’s attributes was an appreciation by ACS executives that “the line between HR and learning is transparent at Motorola,” says Harburg, who claims Motorola interviewed some 20 potential collaborators before selecting its partner. Eight of them were invited to submit proposals.

Many of Motorola’s former employees will even be operating in the same offices as they provide virtual end-to-end HR capabilities with Motorola’s systems and ACS’s BPO capabilities. “We took that portion of MU that was transactional and administrative in nature—its systems and repeatable processes—and moved that to ACS,” explains Susan Shinn, vice president of learning services for ACS Global HR Solutions. Motorola will retain control over strategic areas, the definition of critical capability and developmental needs, assessment, and interfacing with customers. It also will maintain the ultimate decisions on the selection of content sources and whether to design or buy off the shelf. ACS will implement those transactions as part of its management of suppliers, she says.

Independent of the partnership has been a dramatic transformation of Motorola’s training policy as its university shifts from rigid hours of classroom training to a flexible blended learning formula that includes an individual development plan created for every employee, says Harburg.

The deal’s financial aspects helped seal approval from top management, as did a provision assuring continued career growth for all transferred employees. Indeed, Motorola firmly believes that the careers of its former employees will be enhanced by the arrangement. “People who focus only on training as a career are going to be more motivated than those in a support function embedded within Motorola,” reasons Harburg.

The partnership has also reinforced the aspirations of ACS to dominate the HR outsourcing market. “ACS is the fastest growing of the field’s competitors,” claims Mark Cunningham, vice president of ACS and director of its Center of Learning. The new ACS business unit is aggressively marketing its capabilities to combine the management of a client’s HR assets, systems and processes with efficient global solutions centers in the United States, Europe, and Asia. It promises clients improved quality, efficiencies, and lower costs for their HR and training functions

<a href="http://acs-inc.com">acs-inc.com.

#### Tailored services

“The pendulum has definitely begun to swing during the last year and a half toward outsourcing of all sorts,” reports Dan Miller, vice president of business development for training BPO at General Physics Corporation. He says corporations are being persuaded by successes with IT and HR outsourcing to consider learning BPO as well.

Many have struggled unsuccessfully with the pains of implementing a learning strategy around e-learning, especially the interrelationships among multiple suppliers, he says. GP offers its clients 15 years of experience in providing learning resource management services—one reason it competes successfully in the RFP process, says Miller. Like other outsourcing

The Convergys philosophy of outsourcing is explained in a new white paper, “Get Ready for Learning Outsourcing.”

<a href="http://convergys.com/employeeecare\_learning.html">convergys.com/employeeecare\_learning.html

providers, it saves them money by leveraging costs around centralized training facilities

◀ [gpworldwide.com](http://gpworldwide.com).

GP serves a growing stable of corporate clients, including Agilent Technologies, Eli Lilly & Co., and Texas Instruments—with training services that typically include course administration and delivery and instructor resource management. GP got a head start on the revitalized learning outsourcing and out-tasking market when it landed the Ford Motor Company three years ago.

It carefully tailors its services to the needs of clients. For example, says Miller, some companies prefer to maintain their investments in brick-and-mortar and e-learning platforms, but want an out-source partner on-site to design and develop content and make the operation run strategically, among other services. A Canadian customer uses GP's administrative systems as the backbone of its in-house learning operation. GP often conducts due diligence of client training operations to help them measure costs and ROI.

The strategic needs of corporations are fueling a lot of learning outsourcing and out-tasking business, says David Metcalf, chief learning technologist with RWD Technologies. "It's a big wide-open space that often isn't publicized because companies don't want to frighten their employees, even though in most cases it's really just a new badge they're wearing," he says.

Since 1991, RWD has supported DaimlerChrysler's Technical Center with training and other activities so the automaker can rapidly launch new vehicles in a competitive market. DaimlerChrysler found its plant floor workers lacked knowledge and skills to operate high-tech equipment, its training department and plants lacked adequate resources for training, and its demand for advanced technical training was high.

In response, RWD developed a new training system that included performance-based training and documentation design and implemented train-the-trainer classroom instruction, coaching, and mentoring. All are part of a broad package of technology and support services performed by the out-tasker function. Results

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included \$4 million in savings through more efficient use of classroom time and structured exercises, and \$750,000 in savings at one plant's new vehicle launch, achieved by reducing the time for equipment training.

Metcalf says an emerging trend demonstrated by the contract is the responsibility for job performance by training providers. That's also an element of contracts with three other RWD clients: 3Com, AT&T, and U.K.-

based Vodafone.

Yet another company with big aspirations in learning BPO is Convergys, a veteran provider of HR outsourcing and other services. It unveiled its learning platform last September under the direction of Starr, which includes a full range of learning-related services. Convergys currently counts the State of Florida as its largest learning BPO.

Starr says one major benefit of outsourcing providers is their skill in helping companies meet multiple technology challenges, especially during reengineering of HR and learning departments. He says many companies begin by installing the technology infrastructure that transforms learning, but fail to develop or gain buy-in to a broader vision for changing the enterprise. As a result, those projects only implement the technology rather than the change it enables, and many benefits are never realized.

Yet another new entry in learning outsourcing/out-tasking is Tacoma, Washington-based Intrepid Learning Solutions, which was launched in January by executives of Lguide. Backed by two Seattle venture capital firms, Madrona and Staenberg, the company intends to compete for contracts large and small, says executive vice president Brad Johnson. Intrepid promises to offer an end-to-end approach and management of the learning function, he says. Johnson describes the company as "vendor agnostic," meaning it "will not wed itself to any specific solutions." Intrepid isn't yet in the multiple client service center arena, but that day will come soon, he says confidently. "There are so few companies going down this road that the opportunity is huge for us," contends Johnson. A new contract by the Boeing Company to design and develop instruc-

tor-led and e-learning courseware helps put the company ahead of its business plan, he reports

◀ [intrepidLS.com](http://intrepidLS.com).

#### Get ready for a marriage

So, how should companies determine if learning BPO is right for them? Exceleation Group's Harward has some advice: "First, they must make sure they fully understand the business drivers—the purpose for outsourcing, and the value proposition for it. Is it to increase revenues? To reduce cost? Is it headcount related? Is it about customer satisfaction? Being clear about the reason will determine who the right partner is."

The next step is to determine the correct outsourcing business model, says Harward. That means finding the right funding approach, devising a "responsibility matrix" that determines who is responsible for what services, and setting terms and conditions of the contract. "There's a carrot-and-stick element here regarding proper incentives for the supplier," he says.

During the RFP process, it's important to articulate the scope of activities a company wants to outsource. "If you don't lay it out clearly, you'll receive proposals with inflated costs because he supplier assumes it's re-

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sponsible for the unspecified activity." And by all means, says Harward, companies should insist that responses be short and sweet. "A good proposal is no more than 50 pages long."

Harward says two questions are always on the minds of corporate trainers as they contemplate outsourcing: Will the company save money, and how long will the contracting process take? Typically embedded in the first question is

the real business driver, says Harward. As for the process, it's not an inexpensive proposition. Depending on the scope of the "marriage," it can last from three months to a year.

Harward also has advice for chief learning officers as they contemplate the subject. "CLOs must understand that they're not in the training business as much as they're in the intellectual capital business. They have a responsibility to disseminate the intellectual capital the company has and needs. It's a different world today, and it requires different approaches." TD

Paul Harris is a freelance writer based in Alexandria, Virginia, and a frequent contributor to Learning Circuits

◀ [www.learningcircuits.com](http://www.learningcircuits.com); [pharris307@aol.com](mailto:pharris307@aol.com).