

Leveraging The Value Of Outsourced Learning Administration Through Variable Cost Structure

Overcoming
Preconceptions
to Improve Your
Bottom Line

Managed Training Services

Not familiar with managed training services? Read our whitepaper *Accelerating Impact Through Alternative Sourcing Models: A Primer On 'Managed Training Services.*

Introduction

According to a recent American Management Association (AMA) survey of CEOs the number one concern of the executive respondents was “excellence in execution”, number three was “speed, flexibility and adaptability to change” and number eight was “improving productivity.” “Learning” and “training” were not mentioned anywhere in the top 94 business challenges¹.

One of only two people-related challenges to rise in ranking on the AMA survey was “employee efficiency”, proving talent issues are currently taking a back seat to survival issues².

Today’s CEO and CFO are more focused on the results (performance) than on the process (learning) and it can be a stretch to associate learning as a core business activity, resource or asset. Productivity, execution and

adaptability are the success factors c-level executives use to weigh each decision, but there also needs to be a connection between the bigger picture of learning and the important issue of talent management within those decisions.

Many organizations needlessly struggle with training administration, otherwise known as learning administration, even though outsourcing Learning Administration—which includes the people, processes and Learning Management System (LMS) for successful planning, implementation, operation and control of a training program—cuts costs and allows organizations to increase efficiency.

The mission of this paper is to help CEOs and CFOs understand the value of leveraging the variable cost structure of learning administration in order to quickly shift internal training resources from focusing on administrative tasks

Outsourcing Practices 2006-2008

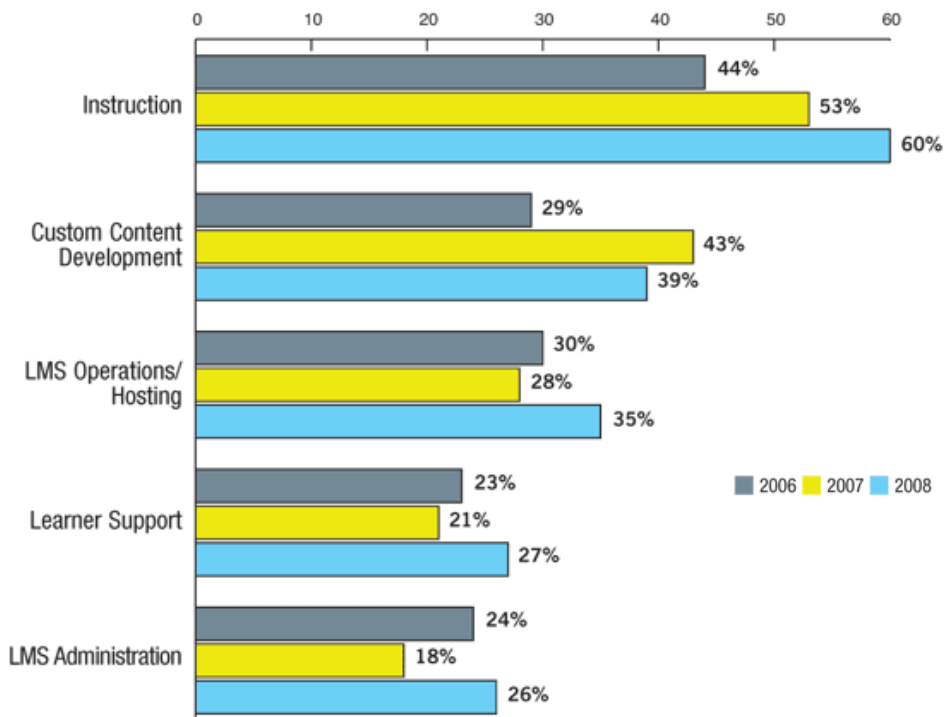


Figure 1: Percentage of companies in each area

to more strategic initiatives—resulting in an improved bottom line. The real world Managed Training Services (MTS) solution for Philips, a 2008 Interbrand top-100 global brand, is interwoven throughout this whitepaper to illustrate success in action.

Misperception Of Outsourcing Learning Administration #1:

This Is Too Small To Matter

Focusing on learning administration is only too small to matter if you are ok with the following scenarios:

- Employing relatively expensive staff for low-value added activities too small to matter
- Lacking the ability to ramp up or ramp down volume as demands change
- Deploying inconsistent processes and providing varying service levels in different locations
- Lacking sufficient scale to generate mature processes
- Not offering the desired level of management transparency

- Lacking the rate of improvement in service levels and efficiency you seek

If the above situations are issues you currently face and want to remedy, then outsourcing your learning administration is not too small a matter for your consideration.

A number of your colleagues already recognize the importance of shifting tactical duties—such as scheduling classes, managing enrollments, answering general questions and providing technical support—away from existing learning staff. Learning Administration outsourcing experienced a rebound as the economic situation worsened. In 2006, 24 percent of LMS Administration was outsourced. The number fell sharply to 18 percent in 2007, but last year the number rallied to 26 percent overall and jumped from 13 percent to 28 percent among large enterprises³.

Outsourcing Practices 2007-2008 Among Large Enterprises

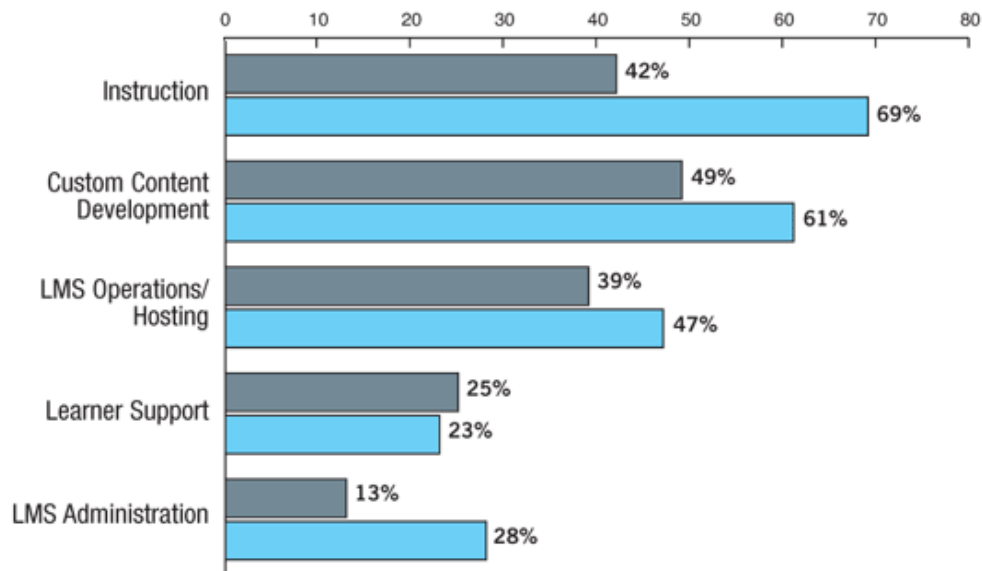


Figure 2: Percentage of large businesses using third-party providers in each area

Spencer Stuart’s whitepaper, *The Global Fifty: Perspectives of Leading Chief Financial Officers*, reported that the most dramatic role change in the corporate suite in the past decade has been the emergence of the CFO as central to strategic and operational debates and decisions. This swing was due, to some extent, from the deregulation of financial markets that occurred in the late 1980s and early 1990s, and the increasingly complex nature of global business and global competition that has evolved since. CFOs must continue to serve in their traditional role of technical experts in finance, accounting and capital structure but, to be fully effective, they must also understand the changing dynamics of the big picture, a skill that, until recently, was mostly associated with the role of either COO or CEO⁴.

As a result, financial executives now wear multiple hats trying to uncover new avenues for managing expenses and bolstering working capital. Strategic talent management and development must be a part of the CFO’s relentless drive to best utilize a company’s financial and capital perspectives.

A November 2008 CFO Research study of 129 qualified senior finance executives found that 59 percent of all respondents expected to see no revenue growth over the following 12 months, and of that 59 percent three-quarters were focusing on increasing bottom-line profits while only the remaining 25 percent were focused on increasing top-line revenue⁵.

If your organization seeks a more efficient way to provide consistent, well-supported learning administration services, but lacks the proper learning administration back office to provide high-quality service through a cost-optimized, tightly managed service center, then outsourcing to a MTS Provider is something to consider.

Top Priority “One Philips”

Philips, a global leader in healthcare, lifestyle and technology with a presence in 82 countries, employs more than 100,000 people across three regions: North America and Mexico (NAM), Europe Middle East and Africa (EMEA), and Asia Pacific (APAC).

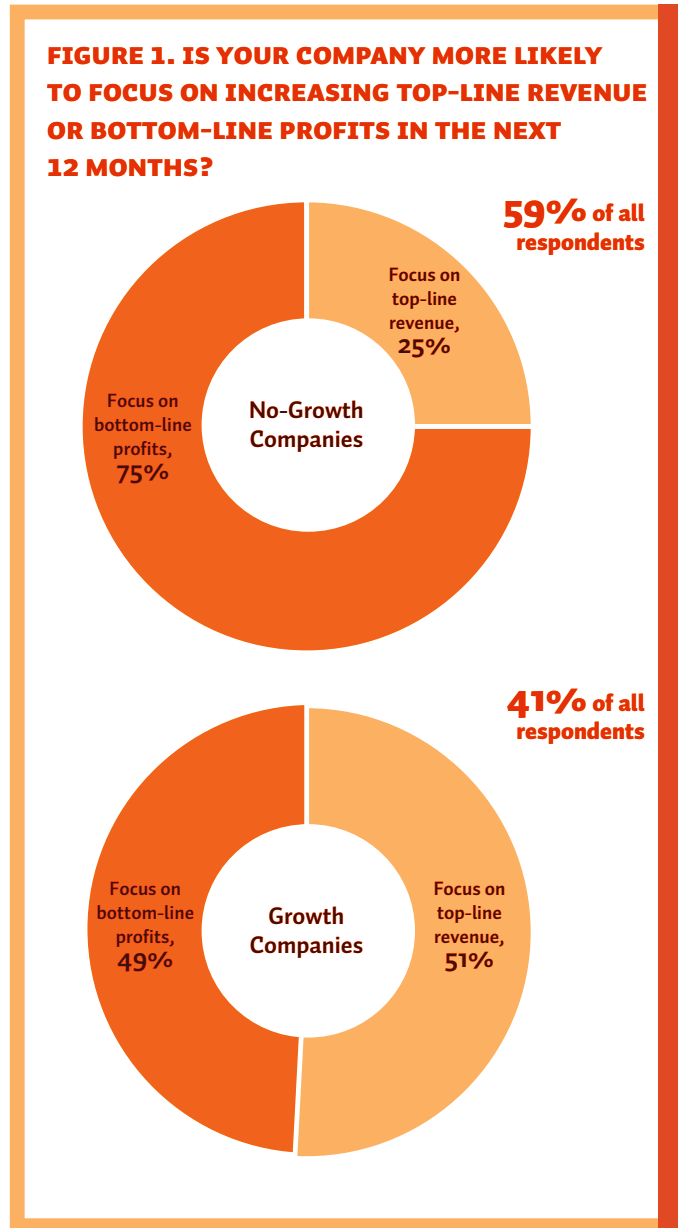


Figure 3: Percentage of respondents

The Global Learning Operations, a shared global service organization within Philips, was not centralized. Some countries had their own set of processes, vendors and learning management systems to support the processes. The cost was beyond control. Even the control of managing the Global Learning Operations was beyond control.

The executive team at Philips, much like the executives from the AMA study, wanted to focus on execution, adaptability and productivity. They understood that learning administration is paramount to their learning strategy becoming an operational efficiency.

Philips views the value of the learning process as an integral part of creating one way of working and one mindset for all its employees, so the company completely redesigned its approach to learning by creating “One Philips”—a standardized, globally consistent learning offering managed by a single vendor to centralize the solution from both the service and systems perspectives.

The Global Learning Operations, operating in three regions, are three fold:

1. Constantly align with business and function leaders to ensure the offering meets the business need
2. Ensure all line managers and employees are fully aware of the offering and possibilities for their personal and/or team development
3. Locally manage partner suppliers

NIIT was brought in to manage the transactional, administrative and logistic activities associated with deploying the learning initiatives to achieve One Philips.

Misperception Of Outsourcing Learning Administration #2:

This Is Too Big Of A Headache To Centralize, If It's Decentralized

Nearly 30 percent of the \$56.2 billion dollars spent on training expenditures in 2008 went to outside products and services⁶. Clearly, there is a business case to be made for outsourcing learning functions.

“For learning, Philips focuses on determining what employees need to develop their competencies. We don't see the transactional, administrative and logistic activities associated with deploying learning initiatives as our core skill. Therefore, the Global Learning Services team has outsourced this activity solely to NIIT, who has a core capability in this field. We leave the administrative, technology and logistics tasks to NIIT.”

Jef Pauwels, VP, Learning and Development, Philips

In many instances, the hesitation and/or headache stems from the idea of outsourcing. If that is the case, it might be time to change your definition of that word.

Merriam-Webster's definition of the transitive verb “outsource” is: To procure (as some goods or services needed by a business or organization) under contract with an outside supplier.

Unfortunately, many executives incorrectly define outsourcing as any or all of the following:

1. Loss of control

When, in fact, a managed training services partnership offers you more control by continually increasing the impact of learning on your business results through actively investing in developing and sharing best practices.

Diligent reporting, quality checks and regular management reviews are an integral part of the process.

2. Loss of responsiveness

When, in fact, a managed training services partnership offers you the ability to ramp up or down as business needs require through employing a multitude of certified professionals across learning functions.

The scale of the workforce enables flexibility to shift resources to meet your individual needs.

3. Reduction in agent quality

When, in fact, a managed training services partnership offers you a structured quality management process that identifies and implements improvements and incorporates the voice of the customer, people and process with, ideally, 24x7 multilingual support.

The audits of the quality management program ensure the actualization of quality improvements.

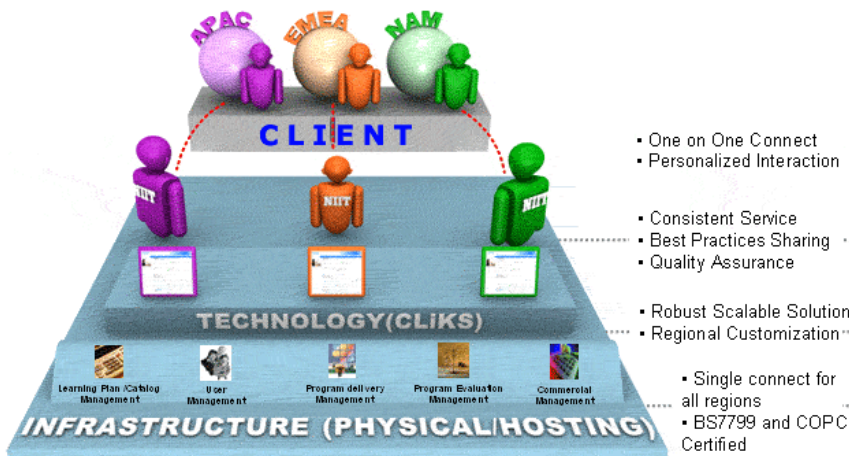


Figure 4

It's clear that many successful CEOs and CFOs believe outsourcing is an important part of their toolkits.

Centralizing Philips' Scattered Learning Environment

For Philips, NIIT helped the company move from a scattered, region-based learning environment—where all learning initiatives were managed at a site, country or business level—to an environment where Philips standardized its learning offering to be globally consistent but locally implemented. Now, when an employee joins Philips in any business, no matter the country, he/she has access to an identical learning offering.

4. Fixed cost

When, in fact, a managed training services partnership can offer you a flexible just in time, on demand delivery model to convert fixed costs to variable costs through a 'pay per use' structure. The staffing model maintains or increases your service level while reducing costs.

If the pay per use model is not your preferred way of pricing—perhaps you are too consistent with your volume or you are planning an expansion—a managed training services partnership should still be able to offer you an overall cost reduction based on a forecast of volume.

Partnering with a qualified MTS partner for your learning administration services should allow your organization to gain increased management control at the same time as reducing costs. The right partner also allows your own staff to refocus on their core competencies, ultimately improving your business alignment.

An IDC survey of the Business Intelligence Board (BIB) of Chief Learning Officer magazine reported only 15 percent of companies currently outsourcing indicated a drop in the 2009 training outsourcing budget⁷. Overall the number of companies utilizing outsourcing declined, but the companies that are outsourcing show a deep level of satisfaction with their external training providers.

Previously, the Philips Learning Curricula required three separate systems—for enrollment, coordination and tracking—making it impossible to combine data to create complete and useful reports.

NIIT designed a Global Learning Administration System and a Back Office Support Help Desk. Because the virtual organization is deployed in three regions of the world, Philips required an integrated solution that provided a unified service framework at the global level, but offered the flexibility to have regional or country variations based on unique market situations.

The learner experience was customized in terms of language and user interface and the transition to only one system for everything meant employees could register for courses and train their teams through a system that is simple to experience and designed around them.

The NIIT solution for Philips consisted of the following components:

- A robust and secure Learning Administration System
- A technology system integrated with multiple Human Resource Information Systems
- A global, multilingual service desk

This standardized operation for Philips' core curricula aligned learning and development with the organizational business goals.

Misperception Of Outsourcing Learning Administration #3:

You're Going To Make Me Use Your Learning Management System (Lms)

If you are speaking with a potential LMS provider unwilling to take on your learning administration responsibilities without managing your entire learning solution ... you are talking to the wrong company.

Whether your business activities call for a soup to nuts solution or an a la carte offering, you deserve a partner that offers customized solution components to meet your requirements and then integrates them into a flexible, customized, on-demand service solution.

The range of learning solution offerings is vast and spans from complete strategic end-to-end outsourcing of learning solutions to the utilitarian aspects of hosting and support, and everything in between.

The outsourcing of learning administration aids a wide spectrum of corporate scenarios: from organizations already engaged in

a MTS partnership, to companies not currently outsourcing but desperately needing to free up resources for strategic efforts.

If you are only interested in outsourcing the non-core but complex operations of learning administration you will need to understand your potential partner's:

- Global reach, if applicable
- Number of processes managed, is it 5 or 85?
- Experience handling variations in rules, policies and country-specific legal requirements

For a detailed perspective on what to look for when embarking on a managed training services partnership, download our paper ***A Blueprint For Optimizing Elearning Content Development.***

The right partner for you should offer a combination of intelligent tools and matured processes with skilled manpower translating into significant operational efficiencies and commercial benefits for your organization.

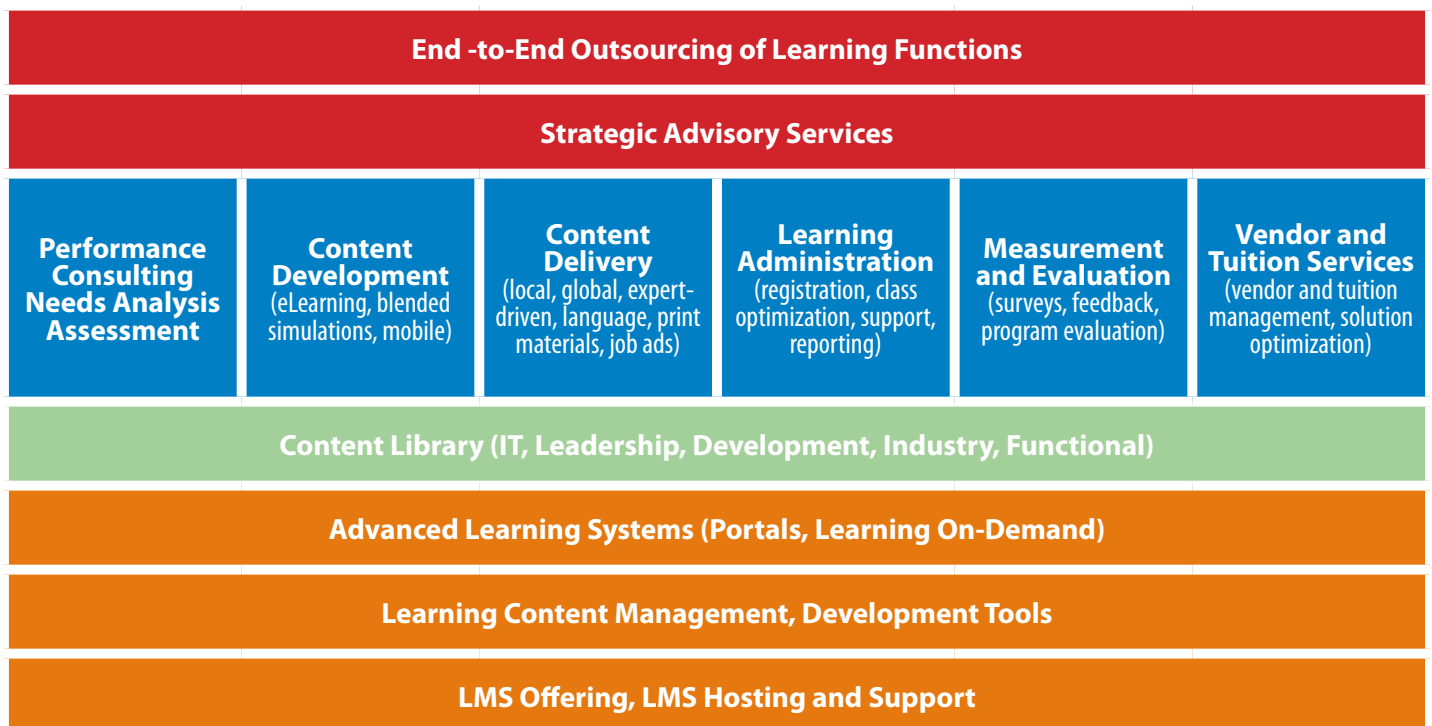


Figure 5: The Range of Learning Solution Offerings

Source: Bersin & Associates, 2008

Award-Winning Solution Gave Philips 25% Increase In Efficiency

In the first year of operation for Philips, NIIT increased the Global Delivery Efficiency (for the Learning Administration Group) by 25 percent through the process optimization initiatives indicated throughout this paper.

The Learning Administration solution involved system integration between the LMS and such HR information systems as PeopleSoft and SAP. NIIT created a safe and secure interface between these systems and a LMS that allows employee data to be exchanged in an encrypted form. The integration offers Philips greater visibility on employee data and ensures that useful and complete reports can be generated.

NIIT’s solution for Philips was recognized by Bersin & Associated as a Learning Leaders® 2008 award winner. To read more about this award-winning solution, read the *Chief Learning Officer Reprint*.

Conclusion:

A 25 percent increase in efficiency certainly seems to meet CEOs top concern of “excellence in execution.” If outsourcing can work for Philips, it can work for you.

Once you are employing your learning administration solution, the opportunity for change is evident: from the literal change back in your pocket to invest in other areas of your business, to the

physical change of responsibilities your staff will experience, which improves your business alignment.

Having an outsourcing partner in place allows you to realign your staff to focus on their strategic jobs, including:

- Talking to business divisions
- Customizing your courseware
- Focusing on learning strategy

Learning administration is not too small to matter. It is not too big of a headache to centralize, and it should never be refused as a stand-alone outsourcing project.

Here are the results you can expect from a qualified MTS partner:

- ✓ Reduced costs through reduction in overhead and variable costing with flexible capacity
- ✓ Overall cost reduction for organizations who are either too consistent with volume or are planning an expansion
- ✓ Enablement of internal staff to focus on higher valuable activities
- ✓ Integrated technology infrastructure which leads to a unified learner experience
- ✓ Customized and tailored services driven by Service Level Agreements to meet specific business needs
- ✓ High standards of quality and value added services to improve end user experience

BEFORE ONE PHILIPS	AFTER ONE PHILIPS
Fixed costs	Variable costs
Huge escalation in costs	30% reduction in operational costs
Inconsistent, region-based training	Seamless, global interface
12,000 annual enrollment	30,000 annual enrollment
<ul style="list-style-type: none"> • Redundant services and duplication of effort • Isolated best practices • Labor-intensive transaction processes from a scattered learning environment serviced by multiple vendors 	<p>NIIT handles 90 processes, 200 training vendors and more than 500 training locations globally</p>

Company Information

NIIT, Inc.'s Enterprise Learning Solutions Company delivers innovative strategies that help clients accelerate business impact. Our clients count on our **Managed Training Services** specifically in the areas of advisory and learning services, technology tools, and custom content to optimize their learning organizations and to improve time to performance for employees, customers and partners.

We use cutting-edge instructional design and our Critical Mistake Analysis method to deliver award-winning solutions, technology and services. Together with our subsidiaries, Cognitive Arts and Element K, our Global Talent Development programs help clients achieve real-world skills to better compete in today's market.

Established in 1981, NIIT is known globally as the number one choice for strategic learning solutions. We proudly partner with the world's leading education, technology, publishing and Fortune 500 companies. NIIT has won over 40 awards, including 12 Brandon Hall awards.

Footnotes

1. CEO Challenge 2008: Top 10 Challenges; The Conference Board / American Management Association Survey
2. CEO Challenge 2008: Top 10 Challenges; The Conference Board / American Management Association Survey
3. 2008 Industry Report: Gauges & Drivers; Training; November/December 2008
4. The Global Fifty: Perspectives of Leading Chief Financial Officers; Spencer Stuart; 2003
5. No Stone Unturned: Strategies For Cash Management In Hard Times; CFO Research Services in Collaboration with American Express; November 2008
6. 2008 Industry Report: Gauges & Drivers; Training; November/December 2008
7. CLO BIB Training Outsourcing Survey; CLO Magazine; June 2008