



I Don't

Know

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"I don't really know" Is no longer good enough

Why BPO applied to training is right...right now!

BY EDWARD TROLLEY, SENIOR VP, CONSULTING & ADVISORY SERVICES, NIIT

"I don't really know".

It's an honest answer to the question. But quite frankly, it is inadequate. CEOs and executive teams of large organizations should have a handle on large annual investments. Yet, "I don't really know" is the answer we've received from hundreds of senior executives over the past six years when we ask them what they spend each year on training. And, these same executives embarrassingly provide the same response when they are asked, "What value are you getting from the investment?"

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These answers are astonishing when the average 20,000 person organization invests \$100 million per year on the direct and indirect costs of training. That's right. According to published reports by Association for Talent Development (ATD, formerly ASTD) and NIIT's own research, companies typically spend

\$5,000 per person per year on training. And, they do it year after year after year. What other investment of this size gets the "I don't really know" response?

As a classic internal function, despite all of the "business-driven" rhetoric, most training organizations we have studied end-up being evaluated on activity levels (i.e. volume) and staying within budget, where a budget exists. But there is more to this picture. If there is a corporate training function, many organizations spend more outside the corporate function than inside it. Everyone is in the training game. No matter how hard organizations try to get their arms around it, spending at the corporate and business levels continues, quietly unabated.

Why has training remained under-managed, under-leveraged and under-understood?

The reasons are many and varied:

- Executives have always believed it was **“a good thing to do”** and have allowed their organizations a lot of freedom to do it.
- Training has maintained a **“sacred cow”** status over the years and as such, has oftentimes escaped the sharp eye of the CFO.
- Companies have convinced themselves that training is a **core competence**, even though it doesn't get ample capital investment and it isn't normally held accountable for delivering value commensurate with the investment it does get; and therefore, it is one of the first to the cutting room floor in difficult times.
- **Elements of cost** are pervasive across the organization, from dedicated staffs to parts of people in the businesses to activities performed in Finance, Procurement and I.T. to diverse and free access provided to a broad supplier base.
- It has **not traditionally been run like a business** with the requisite requirements of total cost management, customer service, quality management, cycle time, responsiveness, value creation, measurement, reporting, and more.
- **Scale is not fully leveraged** because, at best, the activities, processes, and technology can only be leveraged within the confines of the company itself despite the fact that most are not company-unique.

Then how can training sharpen its focus, reduce its costs, and improve the quality and value of its services?

The answer is the application of traditional Business Process Outsourcing practices to the training function.

Why? Because it offers many, if not all, of the improvement opportunities that companies define as the reasons for why they engage in Business Process Outsourcing. This approach, which we call Managed Training Services, assumes responsibility for key elements of the value-chain of training.

Through the application of proven BPO systems, processes and technologies, the implementation of Managed Training Services includes:

- Installing and managing best-practice
 - Systems
 - Processes
 - Intellectual property
- Providing a single point of accountability and clear service level agreements
- Leveraging technology enterprise wide
 - Learning Management Systems
 - Delivery systems
 - E-enablement
- Exploiting economies of scale and purchasing power across multiple organizations
- Installing comprehensive measurement systems (cost and value)
- Leveraging existing assets and capital investment
- Transferring head-count
- Attracting and retaining high-quality talent

Managed Training Services can enable organizations the opportunity, for the first time, to regain control of this critical function while simultaneously driving out cost and driving up business value.

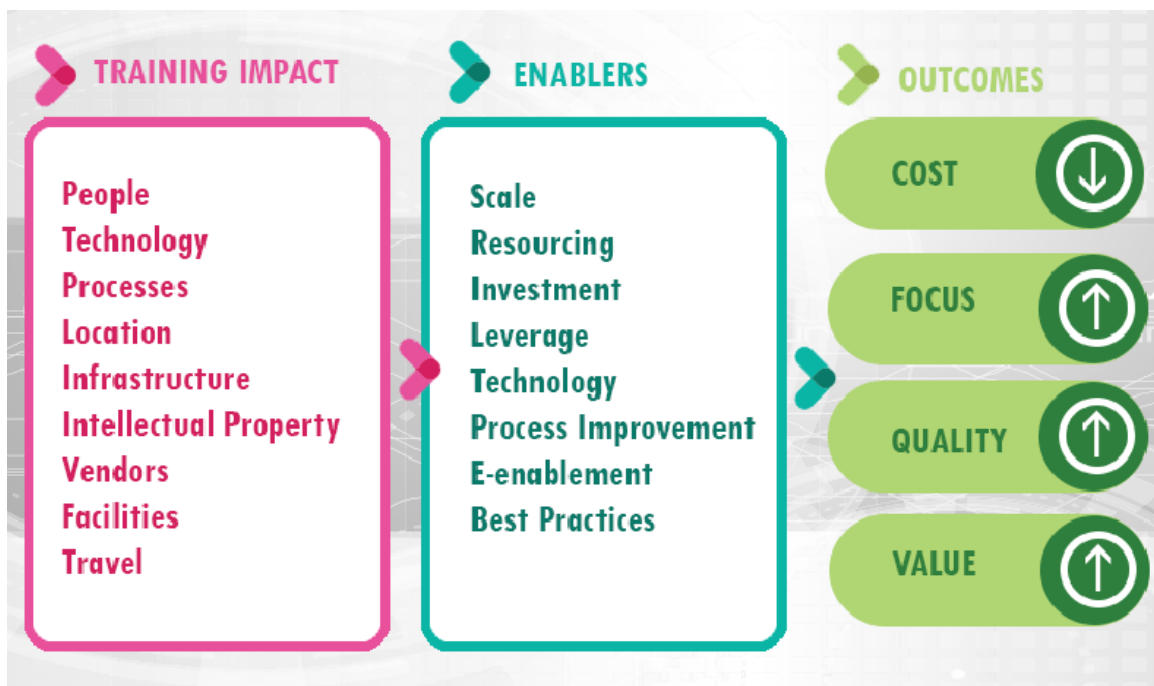
The results are as impressive as those of traditional Business Process Outsourcing and include:

- **10% to 15% cost savings** by leveraging activities and processes across multiple organizations.
- **Increased variability of costs** by utilizing variable versus fixed resources and services.
- **Reduced head-count** through either reduction or redeployment.
- **Ability to control annual investment and spending priorities** through aggregation, service level agreements and single point of accountability.
- **Enhanced value of training** by significantly improving its relevance.
- **Freedom to focus on core strategy** and core business.

Why is now the right time for Managed Training Services? Much like Business Process Outsourcing's application in other areas, the opportunity has always been present; the solution is finally earning its place as evidenced by the outsourcing activity levels across the globe. The need to increase shareholder value has caused organizations to examine everything they do and consider other ways to do those things that are not core. That now even applies to "sacred cows"! The pressure on all functional and support organizations, and particularly Human Resources, is increasing daily to reduce cost and improve value. A recent Horses for Sources (HFS)/KPMG study says cost take-out coming from the C-Suite is at an intensity never seen before. 90% of C-Suite now view cost reduction as an increasingly important-to-critical imperative for their operations.

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The Corporate Executive Board, in a research report last year, said 8 of 10 HR organizations will go through transformation. Just look at the Human Resources Business Process Outsourcing space. According to HFS (2015), the number of outsourcing deals this past year grew 11% over the previous year with 23 deals of various HR scope and services occurring in the marketplace across the globe. The same has been happening in

training. And, outsourcing in general is becoming a strategic tool that isn't just about cost reduction; it is now the classic ***Better, Faster, and Cheaper Solution***.

Managed Training Services is a unique solution, one that delivers the combination of efficiency and effectiveness. There's finally an answer for how to realize the true potential that training has to offer, and, by the way...will allow senior business leaders to answer the simple questions of cost and value without having to look at their shoes.

About the Author

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Ed Trolley is Senior Vice President of Consulting and Advisory Services for NIIT's Corporate Learning Group. He is widely recognized for having started the training outsourcing industry when he orchestrated the first comprehensive training outsourcing deal between DuPont and The Forum Corporation in 1993. He has orchestrated more comprehensive training outsourcing relationships than anyone on the planet. Prior to entering the training outsourcing provider space, Ed was head of DuPont's Training and Education division where he oversaw and guided the training and education for the 110,000-person multi-national corporation. In 2014, Ed was named as one of the "100 Superstars of HR Outsourcing" by HRO Today magazine and in 2007, was recognized as one of the industry's top 20 most influential people in training by TrainingIndustry.com. He is the co-author of the seminal book, *Running Training Like A Business: Delivering Unmistakable Value*.

To learn more about NIIT's Managed Training Services, write to us at businessimpact@niit.com.