

Learning Operations on a Shrinking Budget

7 Ways to Ensure You Achieve More with Less



Today's business environment demands a fresh look at outsourcing learning operations.

In 2008 the average training organization lost 30% of its staff and 11% of its budget, according to a study by learning industry consultants Bersin & Associates. In a widespread economic downturn, a common question training managers found themselves asking was:

'With so many fewer people and dollars, how can I still deliver all the programs my stakeholders require?'

Learning outsourcing has been around for decades in various forms, and traditionally has been a way to reduce operating costs. The current business environment has more organizations than ever considering whether outsourcing is the right thing for them.

Bersin's 2009 Corporate Learning Factbook details the recent increases in the use of learning outsourcing. Over previous year levels, 2008 saw a:

- 44% increase in LMS administration outsourcing
- 33% increase in learner support outsourcing
- 25% increase in LMS hosting operations outsourcing

In a 2008 study, Training Industry, Inc. found that administration costs for the average corporate training organization take up 24% of their training budgets, with another 15% spent on technology. (That's right - only about 60% of budgets actually involve teaching the student.) See Figure 1 on page 2.

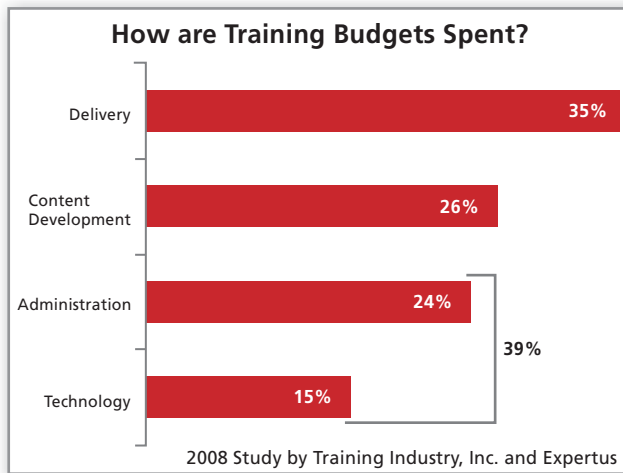


Figure 1: 39% of the typical training budget is spent on administration and technology. For the average large company, this is close to \$4 million which does not directly impact the learner. By most accounts, this allocation should be closer to 25% so that 75% of your training budget is directly spent on the learner.

This paper will explain the concept of SmartSourcing - a way to strike a good balance in the management of your training operations.

With training budgets for large organizations averaging around \$10 million, it's apparent why more are outsourcing to reduce their administrative and technology spend.

2008 research from Bersin & Associates also revealed that 47% of large organizations are now outsourcing their LMS operations. 28% of those same organizations are also outsourcing LMS administration, and 23% are outsourcing learner support. These percentages will likely increase if soft business conditions continue.

For those looking at learning outsourcing for the first time, understand that outsourcing doesn't mean firing your training staff. A wide range of outsourcing options exists to supplement or replace any one part or parts of a learning operation. When outsourcing only a part of your operations, existing staff can be freed from repetitive administrative tasks to focus on more strategic work. In instances where whole operations are outsourced, staff are sometimes absorbed into other organizational functions or hired back by the outsourcing partner. There are many possibilities.

This paper will explain the concept of SmartSourcing – a way to strike a good balance in the management of your training operations. After describing the most common types of training administration services that are being outsourced today, we will discuss seven key criteria that you should require of a SmartSourcing partner. The SmartSourcing Partner Capabilities Checklist is included on page

8 for you to use when evaluating prospective partners.

The Top 8 Candidates for SmartSourcing

Here are the top eight learning-operations activities that have the biggest upside potential for improving operational efficiency and increasing service levels.

1. Training Administration

From setting up classes to checking for prerequisites and enrolling learners, the list is long of administrative tasks that most training operations deal with. A Full Time Equivalent-intensive learning operations task, internal training departments are often so overwhelmed with administration, they don't have time to partner strategically with their business unit customers.

2. Help Desk Services

Offer 24x7 coverage by phone, e-mail, fax and IM so all questions from learners, managers and other stakeholders are addressed on the spot. Handles and resolves both LMS course information requests and issues or problems with non-LMS processes.

3. Facilities & Resource Management

Always detail-intensive, logistics planning and managing this includes arranging for instructors, classrooms, overnight accommodations, catering,

The 3 Types of Learning Outsourcing Providers

Outsourcing Provider Category	Client Supervision Required?	Typical Services Provided	Typical Cost Savings	Onsite, offsite or overseas?	Operational Effectiveness Gains
1 - Body Shop	Administrative, some technical	Good	Usually only one mode	Much	Some
2 - BPO	Comprehensive	Better	Sometimes all modes	Some	More
3 - BPO with deep learning expertise	Comprehensive	Best	Usually all modes	Minimal	Most

Figure 2: This is true in almost all outsourcing situations that there are three different types of outsourcing, and each has pluses and minus. In general, less comprehensive outsourcing tends to be cheaper in the short term, but generally is not a good solution. In almost all cases, the third option has the biggest long term ROI and is the easiest to manage.

Only Business Process Outsourcers (BPOs) with deep learning industry expertise can provide the full benefits of SmartSourcing.

whiteboards, network connections and other equipment.

4. Registration Management

Supports key tasks, including cancellations, rebookings and wait-list administration, but also provides analysis of registration trends and feedback on strategies to further optimize processes.

5. Vendor Management

Can include vendor sourcing, negotiation and selection; managing contracts, purchase orders and other documentation; coordinating assignments, schedules and deliverables; tracking vendor status, payment and assessments. Vendor management combines relationship management skills with administrative know-how to most effectively represent your best interests.

6. Catalog Management

Successful learning organizations depend largely on the quality of their catalog and the ease with which students can find relevant training options and enroll. Key catalog management tasks include curriculum planning, scheduling, course descriptions and related documentation.

7. Training Materials Fulfillment

Printed materials are still required for most instructor-led classes. Just-in-time production methods minimize the cost of production, warehousing and fulfillment through a highly efficient "on-demand" delivery model.

8. Training Program Marketing

Through learning portals, website optimization, and improvements in training launch strategy, these programs heighten awareness of your offerings and improve training utilization through promotions, incentives and direct marketing.

There is outsourcing and then there is SmartSourcing...

Suppliers who offer learning outsourcing services can generally be grouped into one of these three categories.

Option #1 - Body Shops

Where the goal is simply to reduce costs, 'body shops', as they are sometimes called, provide people to do some or all of your learning operations tasks. The people they provide are

“We’re good at training, not technology. If we ‘insource’ our learning operations, we have to go through the IT department every time we need a change. IT always has higher priorities, and they don’t have real LMS expertise any more than we do. SmartSourcing to a full service partner with deep learning domain experience has improved every facet of our operation and improved our reputation with the C-suite.”

– VP of Training, Fortune 500 services company that uses SmartSourcing

usually located onsite or overseas, but rarely both. They meet stated requirements for computer literacy or technical acumen. These people need to be actively supervised by you, which can include lengthy training on the details of your business, and training on the LMS and other learning technology.

Option #2 – Business Process Outsourcers (BPOs)

In addition to providing people, business process outsourcers (or BPOs) add additional value to their engagements with strategic services that help clients review and tighten processes. When outsourcing is driven by both cost savings and a need for greater learning effectiveness, BPOs can present compelling solutions. Most BPOs specialize in one or more functional areas, such as call centers or HR expertise, and can be beholden to one or more platforms or preferred technologies. Very few BPOs possess thorough experience in the corporate learning industry.

Option #3 – Business Process Outsourcers (BPOs) with learning industry expertise

A third category of outsourcing providers is a BPO with deep experience in the learning industry. These providers offer people and the fullest range of comprehensive services – all backed by experienced people, processes and technology that don’t require client handholding or business or LMS tools training. These providers draw on years of ‘lessons learned’ with an unbiased perspective to deliver solutions that fully use your assets. In most cases, this is the ideal, all-around solution.

It’s this third category of outsourcer that is usually capable of delivering SmartSourcing. They’re generally armed with deep domain expertise on technology platforms, learning management systems and processes, with years of experience supporting learning operations, providing support from onsite and offsite, and a willingness to share the financial risk with the client. That’s how a provider delivers SmartSourcing – intelligent outsourcing that draws from all support modalities and resources over the life of an engagement to optimally manage learning operation costs and service levels.

Here are three recent examples of the organizational benefits of SmartSourcing, as seen through the eyes of a large technology company:

- 20% reduction in data entry errors, which led to improved reporting accuracy
- 50% reduction in class cancellations, which doubled classroom utilization
- 100% increase in employee training hours, which exceeded the mandatory training quota for the year

The business impact of SmartSourcing on a leading airline was:

- 98% immediate ticket help desk resolution through 24x7 live phone support
- 25% higher course completion rates

Average SmartSourcing Results From Industry Case Files...

• Training administration cost	75% lower
• Support responsiveness	50% faster
• Service call volumes	80% lower
• Learner satisfaction scores	95%

Example of a training process flowchart

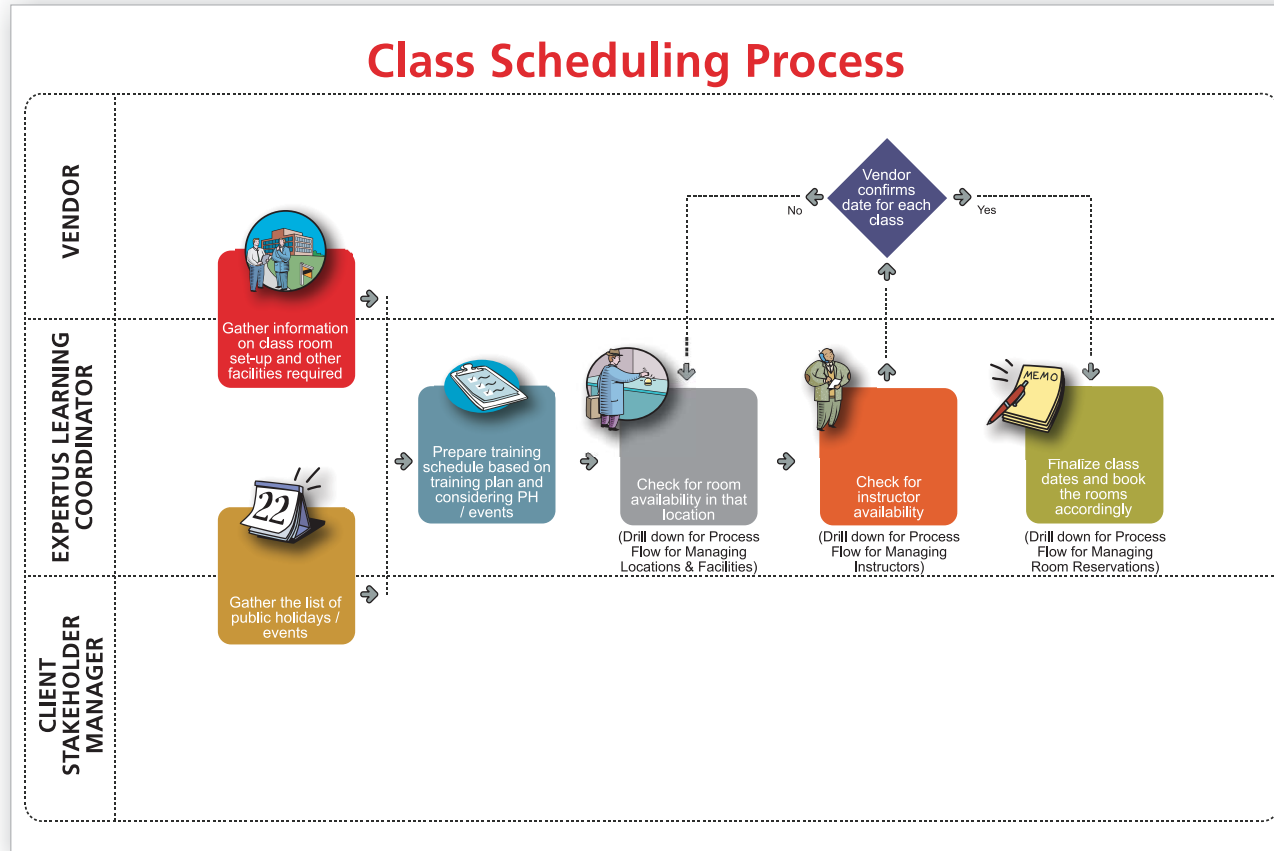


Figure 3: Above is just one example of a process flow that has been developed and refined by best practices from top corporate training organizations. Using market-tested processes are essential for immediate cost savings and improved levels of customer service.

- 47% improvement in call abandonment rates
- 50% improvement in customer satisfaction levels through better measurement and definitions of service levels

For a leading professional services firm:

- 30% engagement cost reductions
- 75% faster issue resolution through better defined processes in the revised service level agreement (SLA)
- Doubling of customer satisfaction levels

A Guide to Successful SmartSourcing

Here are seven criteria that will guide your selection of a SmartSourcing partner that can help you deliver all the requested training and still stay within a downsized budget.

1. Avoid body shops

A SmartSourcing partner specializes in learning operations outsourcing and has a successful track record to prove it. Training is different from HR and every other organizational function that an outsourcer might have expertise in.

You know that every organization trains differently, with different goals, objectives and expected performance outcomes. Training

technology platforms and tools are unique and expertise with them can only be gained by consistent work in the training industry. Learning platforms, portals, LMSs, LCMSs and authoring tools are complex products that require significant user experience to operate.

Body shops have smart people who, with ongoing supervision, will eventually figure out your systems and tools. However, this will delay the benefits of outsourcing and cause some pain in the process. Some BPOs with legitimate HR outsourcing expertise also claim training expertise, but in fact understand few of the nuances of training operations.

Ask ... prospective outsourcers to list the specific technology and learning tools experience that their account team will be bringing to your engagement.

2. Look for catalogued process 'smarts'

A SmartSourcing partner brings to each new engagement a detailed catalogue of learning administration and technology processes that it has successfully employed with existing clients. They draw on those processes with new clients to ensure your program success. Not just bulleted ideas on PowerPoint slides, this catalogue includes thorough diagrams, flowcharts and descriptive case studies that short-circuit learning curves and help you and your partner quickly develop optimal processes.

A SmartSourcing partner is an expert at matching process to technology – knowing when to use

technology and when to use people to meet stakeholder demands. Body shops tend to be light on process, and tend to throw more bodies at problems or the inevitable volume spikes. SmartSourcing partners take talent out of the equation and put more power behind the processes by cataloging their expertise.

Ask ... prospective outsourcers to show you their process catalogue and describe the benefits.

3. Seek pricing innovation

A SmartSourcing partner offers to share the financial risk of your outsourcing engagement. How is this done? One way is through transaction pricing models that charge by a certain activity or group of activities, such as per class set up and delivered. Transaction pricing allows you to reliably estimate and budget for outsourcing costs. And if business dictates a rise or decline in training volume, a SmartSourcing partner's fees predictably rise or decline with the change, and these increases or decreases can be reliably forecast.

Ask ... prospective outsourcers about transactional pricing and what their options are to move you away from fixed cost pricing and put some 'skin in the game'.

4. Insist on onsite, offsite and overseas capabilities

A SmartSourcing partner meets your cost and quality needs with a combination of resources from onsite, offsite and overseas – deploying the optimal mix to achieve your cost and service quality requirements. The overseas component is

What You Should Investigate Before You Select an Outsourcer

- What percentage of the people who would work your engagement are direct employees vs. contractors?
- What are the turnover rates for direct employees vs. contractors and what strategies does the partner employ to reduce turnover?
- Do the contractors receive the same training and development as the direct hires? Sometimes contract employees receive less training, are less engaged in their work and more likely to leave.
- What are the formal education levels of the types of people who would work your engagement? Better educated people tend to pay more attention to the details of their work and give more cogent feedback, and are more likely to suggest process improvements and other efficiency enhancements.
- For the customer-facing staff, is their English or other required language sufficient to successfully work with your stakeholders and students?
- Has the facility won any recent industry service awards?
- As a local market employer, does the facility have a 'buzz' about it as being a 'hot' company and a desirable place to work?
- What does the SmartSourcing partner do to keep morale up among facility workers, particularly those working jobs with more repetitive tasks? Do they have incentive or reward programs?

crucial for labor cost savings, where some administrative and technical work can be very reliably performed at a small fraction of the cost in local markets.

Most outsourcers will work onsite and offsite to service your engagement, and that's necessary as some outsourced tasks simply require a nearby physical presence. But few also possess an overseas capability that is dedicated to supporting learning operations. Some BPOs have an overseas presence, but in reality those facilities are largely used to administer non-training engagements, and thus the local workforce does not have an expertise in training administration.

Ask ... prospective partners if they are able to support your engagement from all three modalities. If a partner doesn't have onsite, offsite and overseas capabilities, they lack flexibility to adjust to your evolving needs and can't provide an ongoing optimal solution.

5. Find out how the overseas staff is treated

A SmartSourcing partner has a human capital plan that invests in staff development in its overseas facilities. Most outsourcers train and develop their employees in their home market, but the stereotype of an overseas outsourcing workforce includes minimally trained, marginally committed people who turnover quickly.

If the scale of your proposed outsourcing engagement is sufficiently large, and the plan is for overseas personnel to play a significant role in fulfillment of the plan, then personally visit and

SmartSourcing Partner Qualifications Checklist

		Vendor A	Vendor B	Vendor C	Notes
1	Does your team that would work on our engagement have specific experience working on our LMS and other learning technology tools? Prove to us that you have experienced people to support our platforms and systems.				
2	Do you catalogue your learning administration and technology processes in such a way that any of your 'lessons learned' can be brought to bear on my engagement? Show me and describe the benefits.				
3	Do you offer transactional pricing? What are the options to move away from fixed cost pricing to activity-based or other models?				
4	Do you have onsite, offsite and overseas capabilities to flexibly and optimally support my engagement?				
5	Do you have a human capital plan for your overseas staff that includes staff development? Tell me how you attract, hire, train, develop and retain superior talent in your overseas facilities.				
6	Can you also deliver learning strategy or technology consulting for any part of my operation? What efficiencies would be gained by using you for that work?				
7	Do you offer a Quick Start program to rapidly take on an engagement with us? What options can you offer us? What customer references can you provide to your ability to do this?				
8	Add your own criteria here:				

This checklist contains all of the important vendor selection criteria discussed in this paper. Use the checklist as a starting point for comparing prospective outsourcing partners. You may even consider weighting and prioritizing the different criteria based upon how important they are to your organization.

inspect the operation of the overseas facility. For a list of items to inquire about, see page 7 sidebar What to Investigate Before You Select an Outsourcer.

Ask ... to meet the people who would manage and administer your engagement.

6. Partner with a one-stop shop

A SmartSourcing partner offers the full range of learning operations outsourcing services – consulting, administration and management tools.

In addition to the eight outsourceable training administration services described earlier, a SmartSourcing partner should also offer a complete array of learning business strategy consulting and proprietary tool-based learning management solutions. Sometimes consulting engagements are the right first step for SmartSourcing to help a customer align learning strategy with the goals of the business, or uncover process gaps and bottlenecks in existing operations, or optimize existing learning technologies.

SmartSourcing partners should also have a series of proprietary management tools that can be drawn on to:

- Integrate your outsourced services to your other business systems
- Implement e-commerce functionality for tuition reimbursement and easier budget management
- Measure and monitor system activity with resulting business intelligence reporting that

gives visibility to the impact of learning

Outsourcing your training operations to multiple SmartSourcing vendors is rarely the right solution, since over time the option of scaling up services with any one vendor becomes more expensive and thus more unlikely. Vendors inevitably use different systems to conduct work, usually with different processes and certainly with different people. When SmartSourcing the first part of your operation, it's best to choose a partner with the capability to someday handle all of your operations, should you ever need to pursue that option.

Ask ... yourself if someday you may have need for learning strategy or technology consulting for any part of your operation. What efficiencies would be gained by using your SmartSourcing partner for that work?

7. Will they be ready when you're ready?

A SmartSourcing partner offers a quick start program and is ready to provide support as soon as you are. Rapid changes to business plans can create an overnight need for outsourcing support. Drawing on templates of other successfully supported engagements, SmartSourcing partners are quickly ready to go with tailored service definition documents (SDDs) for each stakeholder, service level agreements (SLAs) for each of the required services, and standard operating procedures (SOPs) for each process they'll perform.

Start up can begin from as little as two weeks to put qualified, experienced individuals in place to handle piecemeal assignments, to six to eight weeks to assemble teams to take on an entire

Training Efficiency Scorecard

Prepared for: **C Roberts,**

#	Efficiency Indicator	Your Response	Relative Score
1.0	Classroom Utilization	75-100%	Well Utilized
2.0	Cost Per Student Hour Ratio	\$101.69	Average
3.0	Training Staff Per 1000 Learners	2.74	Relatively Low
4.0	Training Staff Mix		
4.1	Content Developer / Instruction Designer	20%	Average
4.2	Instructor / Teacher	10%	Relatively Low
4.3	Administrator (manage enrollment, venues, LMS admin)	30%	Relatively High
4.4	Learner Support / Help Desk Staff	20%	Average
4.5	IT Staff for Learning Technologies	0%	Relatively Low
4.6	Vendor Contract (contract management)	20%	Relatively High
4.7	Training Executive / Director	0%	Relatively Low
4.8	Other	0%	Relatively Low
5.0	LMS Infrastructure	A company-wide LMS, plus 1 or more department or divisional LMSs	Somewhat Efficient
6.0	Integration Between Learning & HR Systems	Somewhat integrated (updated periodically)	Somewhat Efficient
7.0	Courseware Integration	Somewhat difficult	Not Efficient
8.0	Ease of Reporting	Somewhat easy	Somewhat Efficient
9.0	Measurement Process	Standardized-a common process is defined and broadly adopted	Efficient
10.0	Breadth of Programs Measured	75-100%	Highly Efficient
11.0	Centralized Vendor Management	No	Not Efficient
12.0	Percent of Vendors Managed Centrally	0%-We don't have a central person or group to manage vendors	Efficient

In less than 10 minutes, this free, 16-question survey compares your performance to key industry benchmarks. But it doesn't stop there. You'll also get practical suggestions for improvement. You can trust the results, because this assessment was designed by Expertus, in collaboration with Bersin & Associates, a premier research organization in enterprise learning. To schedule a training efficiency assessment, e-mail Expertus at info@expertus.com

Fortune 500 learning operation. SmartSourcing partners with quick-start programs can meet your needs on short notice.

Ask ... prospective partners what quick start options they offer, and ask for customer references who'll attest to their success in rapid start up engagements.

SmartSourcing: What to do next...

If this paper has you thinking about just how efficient your current training operations may or may not be, contact Expertus and in ten minutes we'll step you through a complimentary Training Efficiency Assessment of your training operations.

Comparing your operating practices with data from over 100 other large organizations, the assessment will give you a scorecard and supporting insight about areas of your operations that are both outperforming and underperforming in our industry benchmarks.

To schedule a training efficiency assessment or to learn more about Expertus services, contact us: Email: info@expertus.com / Phone: 877-827-8160

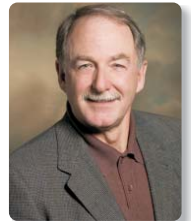
About the Authors



Mohana Radhakrishnan is Vice President of Client Services for Expertus, a learning services firm with over 500 learning specialists who help companies like Cisco, ADP and Lockheed Martin optimize every aspect of their learning organizations. For the

last ten years, Mohana has been designing and delivering robust learning processes and was awarded the 2007 Top 20 Most Influential Training Professionals from Training Industry Inc. She can be reached via email at mohanark@expertus.com

Tom Kelly has more than 25 years of experience in the education and training industry and has held positions at NetApp , Cisco, Oracle Corporation, Sun Microsystems, NeXT Corporation and Control Data Corporation.



Tom is currently a trusted advisor for a growing list of clients, including small to mid-sized companies focusing on learning organizations systems and strategies. email Tom at tomkelly58@gmail.com



Corporate Headquarters

Expertus Inc
2091 Landings Drive
Mountain View, CA 94043

Telephone: 650-691-1440
Toll Free: 877-827-8160
Fax: 650-691-1287
Email: info@expertus.com

Sales

sales@expertus.com

Public Relations

press@expertus.com

Product Support

support@expertus.com