



Leading the World to Better Performance

A Case Study

The Maturation of a Training BPO: From Inception to Partnership

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Under the constant barrage of information and opinions surrounding training outsourcing, here is a real-world case study. The case study is neither a fairy tale nor fictional model, but a time-tested and proven business relationship that reviews four fundamental phases that led to a successful partnership.

Many of those close to training outsourcing continually hear the hype and read the press concerning training outsourcing, from new technological wonders that increase data migration capabilities to content repositories and web portal deployments. Articles abound espousing the significant benefits or, in some cases, the potential pitfalls of this particular form of business process outsourcing. Ideally, the solution would involve a competent and reliable business partnership, where a partner rapidly and reliably addresses the training and learning issues as well as delivers performance solutions that can be scaled and leveraged.

The reality is Training Business Process Outsources (BPOs) are complex business relationships that require considerable levels of effort and commitment from all involved. Successful Training BPOs are not just about the use and application of technological solutions or some magical process map, they facilitate building a relationship that encourages innovation, relies on open and honest communication, and presents business opportunities to both partners. Outsourcing complexities span a range of factors from financial modeling, process mapping and procedure development, learning strategies, thought leadership, training design and delivery experience and capabilities to technology solutions that are easily integrated and relationship management that shares in the risks and rewards. Rarely is the solution neatly packaged, providing copious cost reductions, significant quality improvements, and infinite potential for process re-engineering and efficiency. More often, this solution is a journey, filled with peril on both sides. It requires innovation and acceptance, change management, and technology interventions. It calls for brave souls who are willing to take risk and willing to fail as long as they are moving forward. In fact, in many ways it is similar to a marriage ... "for better or for worse, in sickness and in health ..."

This case study focuses on a real-world scenario involving two leaders in the outsourcing realm, Perot Systems Corporation (Perot) and General Physics Corporation (GP). Perot is one of the world's largest IT infrastructure outsourcing companies. Since 1988, Perot has delivered technology-based business solutions to help organizations control costs,

drive revenue, and cultivate growth worldwide. Perot blends strategic design, technology, and timely delivery to create solutions that maximize returns on IT investments. GP is an international performance improvement company and a global leader in training and corporate education services. In business since 1966, GP provides strategies and solutions designed to help customers optimize technical and workforce performance; GP is seen as a world leader in training outsourcing.

So what happens when a training outsourcing organization partners with a technology outsourcing organization?

What was found to be true in the Perot/GP relationship is that the maturation of a Training BPO can be divided into four discrete phases:

- Inception
- Growing Pains
- Transition
- Partnership

These four major phases were the critical points in this training outsourcing relationship and closely mirror the Forming, Storming, Norming, and Performing stages of a work group.

INCEPTION

At the close of 1996, Perot was awarded a large IT engagement with one of the world's largest financial institutions. The arrangement called for placement of Perot IT professionals in many of the client's global locations and hence required the management and administration of a diverse training program for these personnel around the world. Initially Perot had established an internal team to administer and orchestrate the training processes; however, several business drivers led Perot to consider the option of a training outsource relationship. Primary considerations included leveraging the existing headcount within Perot for higher value-add activities and talent management. Cost reduction and process mapping, coupled with the ability to streamline the existing processes, were necessary. Perot was also looking for efficiencies in their reporting process and report generation capabilities. From a procurement standpoint, Perot was interested in reducing their accounts payable from a long list of training suppliers to one vendor. Since much of the training would be single attendance (one-off training classes) sessions, Perot also sought opportunities to leverage volume discounts with specific vendors who could support Perot worldwide. One additional business driver was the need to conduct a pilot program for the Corporate Training & Development function.

Perot decided to take the next step in their investigatory process and established an internal evaluation team comprising several critical stakeholders including the following: Corporate HR Program Manager, Corporate Procurement Manager, Corporate Training Director, Account Global Finance Controller, Account Global Training Manager, and Account Global Training Specialist. The evaluation team would work to define, develop, and distribute an RFI submission. Once the team had received and evaluated

responses, their recommendations for the best outsourcing partner would then be forwarded to Perot's Account Senior Leadership Team.

Perot's team researched which companies were capable of meeting the business drivers. A short list of qualifying vendors was generated, and the RFI was distributed at the beginning of December 2002.

The list consisted of the six potential vendors, which was narrowed to two based upon the responses to the RFI. Follow-up meetings and teleconferences were held to allow both potential vendors to better understand project demands and clarify scope and contracting questions. Based upon the evaluation team's recommendation, Perot's Account Senior Leadership provided approval and GP was notified of the award at the close of January 2003. The vendor evaluation process was rapid; it was completed in under a month's time. "For Perot, there were a number of critical factors that would influence our decision," states Elizabeth (Beth) MacKay, Perot's Global HR Manager. "Firstly, we needed a Training BPO that provided a global solution. With our associates located in Asia, Europe and the US, we needed a training registration process that would not experience time or language barriers. GP already had a global reach in place, through their partnerships and other GP offices. The second critical factor was speed. We needed to meet budget and headcount reductions by midyear. Therefore, a partner who was well experienced in the training outsourcing field and had the capacity and skills to transfer the workload over quickly and accurately was key". GP and Perot's team members then met and began building the initial project scope and plan. GP formally entered the relationship in February of 2003.

LESSONS LEARNED:

- Ensure that you have clear and well-defined expectations.
- Communicate the business drivers, and build your solutions around the business need.
- Establish an evaluation team. Having team members that represent several internal business groups will prove critical in choosing the right partner.
- Experience is invaluable when partnering on endeavors of this magnitude.

GROWING PAINS

Soon after the launch of the outsource, GP began to grow in its understanding of Perot's business models and the need for various "one-off" training sessions across the globe. Initially GP's strategy was to support a scalable discount that could be leveraged for efficiencies. Unfortunately GP and Perot were only able to leverage a few key providers; the volumes were too scattered across the map, and many of the training sessions were for only one or two personnel at any given time or location. However, it was paramount to gain efficiencies and ensure that Perot was satisfied. GP and Perot continued to work closely together and leveraged as many training provider discounts as possible. Both organizations began seeking alternative channels for cost reductions; simultaneously, GP and Perot began revising Perot's in-house training tracking process.

Perot's internal training tracking vehicle was a complex series of spreadsheets accounting for a multitude of training-related activities including courses, locations, attendee data, and management approvals. Though functional, the existing reporting process tool was not as efficient or flexible to support Perot's changing needs. GP and Perot assessed the reporting needs and began developing a cost-effective tool, a Training Management Solution, or TMS, that would drive efficiencies into the administration process without requiring the complexity or cost of a total Learning Management Solution (LMS). The first year proved to be a challenging time; it was indeed the growing pains phase. GP was falling short of its internal financial expectations, and the shared risk approach was proving painful to GP because they had no control over the training events, suppliers, or locations. In addition was the investment in creating the TMS. Good communication was critical. Beth MacKay, Perot's Global HR Manager and contract manager for this outsource, worked with GP to better understand operational and fiduciary constraints. Deb Mitchko, Perot's Account Training Specialist, proved to be a taskmaster, always striving for performance improvements and always communicating openly and honestly. These interactions were instrumental in preventing the situation from spinning out of control.

As the first year of the association came to a close, both parties remained engaged, but the relationship was beginning to show signs of strain. Training volumes fell short of expectations, discounted vendor services and offerings were short of initial hopes, the global capabilities offered through GP varied significantly by region, the TMS was just becoming functional, and the refinement process was trying both parties' patience. GP and Perot set a meeting in February

LESSONS LEARNED:

- Communication is arguably the most critical element in any relationship.
- Schedule a time to meet in order to better understand each other's business.
- Process mapping is crucial.
- Shared risk requires nerves of steel and a long-term vision and commitment.
- TBPO engagements often require upwards of a full year before they yield financial returns for both parties.

2004 to address the first year's performance and discuss a path forward. Initially the meeting appeared to be headed in the wrong direction.

Beth remembers the time period well. "Our meeting in February was a milestone event for us, since we knew we were an unattractive customer and costly account for GP. They were providing us a valuable service, but knew they were not able to recoup their investment or turn a profit without the ability to influence vendors more. The insufficient demand, across a wide geography, for too broad a group of vendors created this dilemma. However, we were not interested in losing GP's service and we did not want to put them out of business to deliver the service. We were willing to work out a mutual solution that could still benefit both parties."

TRANSITION

The February meeting proved to be a turning point; the relationship migrated from the growing pains stage to the transition phase. The meeting allowed both entities to address project expectations, operations, financials, and baseline business drivers. The meeting proved that not only was Perot sincere in their desire for operational excellence, but they truly cared about how the account was affecting GP. GP was contemplating closing the account at the contract's end but Perot's desire to stay with GP and their willingness to work to find better solutions made a difference in their decision.

The critical ingredients of this phase are commitment, innovation, and flexibility. Both partners worked very hard to demonstrate a strong commitment to one another and to meet the service expectations. Innovation afforded new approaches and process protocols to be implemented. Efficiencies were improved and the reporting process was streamlined. Flexibility was also a requirement; because of the nature of the services and the various challenges that came with it, both partners found that a flexible approach was the order of the day.

GP restructured the account team, assigning a new Corporate Sponsor, new Account Lead, and new Program Administrator. "We took GP's corporate experience and went back to the drawing board to revise a majority of the processes and practices," stated Carol Elford, GP's current Account Lead. GP also shared their financial performance with Perot and created a revised transactional financial model that provided GP the baseline financial commitment they needed in order to maintain minimums from a resource perspective. GP also created a sliding transactional scale for Perot that offered shared risk and rewards for both parties. The approved financial model also afforded Perot deeper discounts as service volumes increased.

The transition was not just in the renegotiation of the financial models. A completely new set of procedures and statement of work

were developed and provided to Perot for review and approval. The TMS continued to be refined and proved to be a tremendous efficiency solution. A number of the processes that had been labor intensive became significantly streamlined and automated with a series of checks and balances architected into the solution. Communication plans were revised and a more structured reporting process, that benefited everyone, was established. All of these improvements increased the quality metrics while reducing the labor requirements. GP also increased the internal activity with their United Kingdom-based talents, allowing increased and regional service to Perot resources operating in the UK. GP and Perot continued to review the initial business drivers and customer service

LESSONS LEARNED:

- Commitment, innovation, and flexibility were three key ingredients in the transformation from the growing pains phase to the transition phase.
- Technology applications, properly applied, can create significant gains in labor utilization and efficiencies.
- Closely reviewing the original business drivers and adjusting for changes are also critical to keeping the relationship positive.

metrics. A significant amount of credit for the account improvements also goes to GP's Program Administrator, Lauren Christianson. Her efforts focused on the process modeling and added to the efficiencies. Demonstrable improvements in communications, customer service and efficiencies were being realized by both parties; the quality and service metrics continued to improve.

PARTNERSHIP

Both Perot and GP recognized that the on-going relationship had gone through a complex but refreshing transformation. Today the account enjoys a fully operational TMS that continues to be upgraded and revised based on ever-changing needs. At a recent meeting between the two partners, both organizations were upbeat; performance metrics were in line with expectations, and everyone was looking forward to the coming year. GP was able to offer additional options on the financial models for Perot to consider with the potential for further cost reductions. Perot was proactively assisting GP to gain greater name recognition and awareness within Perot and the account was extended again for another year. Close communication continues as both partners seek to provide benefit and value to one another.

The team members from both organizations have realized a true sense of accomplishment. Perot is delivering best-in-class services to their customer, ensuring that their personnel are provided the most up-to-date training and continuous improvement opportunities available. GP has increased its scalability, modified and improved several processes, and enjoys the benefit of a relationship with Perot that is truly a partnership. For any supplier, that is one of the greatest professional gifts one can have.

SUMMARY

When it is all said and done, was the training outsource effective? You better believe it. The business results are clear. Perot was able to better leverage their existing staff for higher value-add activities and reduce headcount and costs associated with back office administrative tasks. In addition new and improved processes were implemented which were now mapped and documented. The reporting process is dramatically streamlined and comprehensive yet flexible enough to allow for different reporting requests to be fulfilled. Procurement enjoys a reduced volume in processing account payables, and discounts are being leveraged to their maximum. Yes, this is a successful Training BPO.

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