

Educating the Extended Enterprise

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Over the years, companies have invested in employee training and education, expecting that a better-informed and trained employee will have a positive impact on the bottom line. More often, companies find that bottom-line performance is influenced by people and processes outside the company's four walls—in the extended enterprise. The extended enterprise includes business partners in all parts of the value chain: external sales channel partners, suppliers, subcontractors, distributors and even customers. Although much has been written about the specific tactics used to reach the extended enterprise audience, what separates successful extended enterprise learning initiatives from others is a framework for ensuring that learning is closely aligned to the business goals and elements of your value chain.

The Business of Extended Enterprise Learning

Extending learning to channel partners can better prepare end users to support a company in developing, building and delivering a product, as well as convey a consistent brand-value proposition from channel partners to end clients. Companies that have developed successful extended enterprise learning initiatives recognize that their value chain partners—whether in development, sales or support—are integral to the quality of their customers' experiences. For some companies, the extended enterprise is the face of the organization to its customers and the public. For others, the successful development or distribution of a product is the sole measure by which clients judge the quality of their experience with the company.

IDC recently explored the marketplace for extended enterprise learning, and examined what made some companies successful in reaching their goals. Only 20 percent of companies surveyed believed that they were maximizing the full value of their extended enterprise learning initiative. Although every respondent strived to develop some type of business case that justified investment in extended enterprise learning, most fell short of achieving their goals.

Successful companies consistently focus on one of two themes: improved customer satisfaction or cost reduction. These companies undertook long evaluations of their businesses and relationships with their value chain partners to answer three key questions:

1. What business goal is the organization trying to achieve?
2. Can the goal be achieved by optimizing the value chain, providing knowledge, information or training to some part of the extended enterprise?
3. What specific measures will indicate success?

These companies then identify available resources within the organization to apply to the extended enterprise learning initiative.

Regardless of the specifics of the evaluation, successful companies could always point to a link between their business objectives and their partners' performance. The benefits primarily revolved around either improved customer satisfaction resulting from improved partner performance or cost reduction resulting from improved operations.

Find the Weak Link in the Value Chain

The first step in analyzing the value chain is to understand its elements. The extended enterprise is the entire collection of relationships that support the creation and delivery of a product or service to a customer. It can be said to include eight cycles: product development, supply, logistics, sales, implementation, maintenance, customer relationship and support. Each of these cycles represents a link in the larger value chain of an enterprise's product or service. When internal operations, processes or systems (such as HR, finance or shipping and receiving) and customer issues are added to the extended enterprise value chain, the number of links increases from eight to 10 processes that can influence the success of a company.

What complicates these cycles is the necessary introduction of a wide variety of business relationships to properly address the specific needs and opportunities at various points in the broader customer lifecycle. Enlightened enterprises consider the performance and optimization of the entire extended enterprise—both upstream and down—to ensure a higher degree of customer satisfaction and a reduced delivery cost. Where the enterprises interviewed improved integration between the internal and external organizations, they found that various benefits in each of the eight external links can influence the customer experience:

1. Product Development Cycle: Improved development cycle, development cost, product integration and product lifecycle integration.
2. Supply Cycle: Improved cost control, inventory management and product supply visibility.
3. Logistics Cycle: Improved inventory management, cost control and supply visibility.
4. Sales Cycle: Improved sales cycle time, solution value, price persistence and partner preference for the enterprise solution.
5. Implementation/Delivery Cycle: Improved implementation time, practice margins, brand value, customer satisfaction and customer time-to-benefit.
6. Maintenance Cycle: Improved cost of maintenance, repair interval, system-wide performance, up-sell awareness and success and maintenance-induced breakage.
7. Support Cycle: Improved support cost, first-time resolution, resolution time, customer satisfaction and up-sell awareness and success.
8. Customer Relationships' Cycle: Improved customer loyalty, brand value and sales cycle.

Improving performance of the extended enterprise is influenced by a wide variety of factors, including economics, culture and the natural lifecycle of a company. Enlightened companies identify the one link in the chain most critical to their enterprise success and conscientiously set out to improve that link's performance through technological integration, business process change or even enterprise mergers. However, many companies also have found

that increasing the skill and competence of people at the valuable link in the chain can provide substantial return.

Two key steps in analyzing your value chain are to determine your target goals and then link your initiative to some observable, measurable criteria to ensure that the extended enterprise learning initiative achieves its goals. If both the goals and the measurement criteria are identified in advance, the impact of successful initiatives will be visible, and misdirected programs can be refined. Failure to identify success measures is one of the main inhibitors of the adoption of an extended enterprise learning strategy.

Leveraging Learning

IDC's market analysis suggests that training can improve specific areas of business value across the value chain. Some of these areas can be strengthened at several links. Sophisticated organizations will look at the value chain and see where their business priorities lie, determining which business area has the greatest opportunity for training impact, and then identify the specific value extended enterprise training can provide. To determine which opportunities are greatest in your organization, undertake this simple assessment exercise. Begin by defining your business priorities, then explore these questions:

1. What are the key objectives for considering learning to improve a link in the value chain?
2. Who is the target training audience? What will motivate individuals to participate in the learning program? How do these individuals currently receive training and information?
3. What learning objectives can the extended audience reasonably achieve? What value do these learning objectives have to the target segment?
4. How many learners are targeted? What are the demographics of the audience?
5. What resources are available to leverage in this initiative? What type of additional resources will be needed?

With this process complete, companies are in a strong position to determine that an extended enterprise learning initiative is both appropriate and likely to succeed. The next steps are to develop a business case and begin to investigate impact on the value chain.

Building the Business Case

When asked to state the business case that led to their organization's investment in extended enterprise learning, companies from the study cited reasons that were as unique and diverse as the companies themselves. One primary theme that emerged was to improve customer service. In the end, without a sound means of educating the extended enterprise, customer service—and, in turn, customer satisfaction—could suffer. Each company interviewed acknowledged the impact that a well-trained enterprise had on customers' satisfaction and cited this as being a key ingredient in the business case for extended enterprise learning. For many companies, it is the extended enterprise that is essentially the face of the organization, in some cases accounting for 100 percent of product sales.

This reinforces the strategic importance of delivering a consistent message throughout the enterprise, especially to the end customer. With a robust extended enterprise learning network, companies can ensure that their partners have accurate, timely and relevant knowledge and information, better equipping them to sell, support and maintain their products. One senior learning executive stated that customers were now savvier than ever and would no longer buy just products. Customers expect to deal with knowledgeable salespeople who can assist them with their purchasing decision and are trained to support the product going forward. Therefore, it is a competitive advantage for sellers to be able to say they are certified in supporting a particular product.

Cost reduction or revenue increase is another business rationale frequently cited in support of an extended enterprise learning network. One commercial building organization identified that for every dollar lost on a job site, 20 cents was due to injury to a laborer, while the other 80 cents was the result of the company having to return to the job site to repair poor construction. The company specifically designed its extended enterprise learning network to give its subcontractors (channel partners) learning materials to increase both safety and the use of proper construction techniques.

Many other respondents shared their initial proposals, providing insight into how they approached their senior management with the concept of an extended enterprise learning initiative. All successful business models began with an explicit understanding and statement of:

- A business problem within a specific link in the value chain.
- Business goals for the learning initiative.
- Attributes of the targeted training audience.
- Available technologies and resources.
- Scope (start small with pilot, move up to full implementation).
- Goals or expected returns, including a measurement strategy.
- Estimated costs and resources.
- Even with a good business case, success is not always guaranteed. Most research respondents shared the numerous internal and external challenges that must be mitigated before they could move forward, including:
- My company is unique: Companies found it challenging to accept outside models for success, and sponsors fought organizational resistance to trusting agreed-upon success measures.
- Decentralized authority: Sometimes decentralization created a barrier to coordination. It also provided more flexibility in some cases where a specific line of business pursued its own extended enterprise learning initiative.
- Demonstrating relevance to the learner: Companies that failed to marshal learner support found recovering momentum difficult. Successful companies engaged in continuous marketing efforts to ensure learners understood the relevance of the initiative and to garner management support.
- Intellectual capital: Some companies were unable to gain consensus on the benefits of sharing proprietary processes and practice. Others were inhibited by content costs.

- Lack of industry benchmarks and success stories: Without validated industry benchmarks, some companies were challenged to gain organizational support.

Interviews with the direct participants, as well as a survey of the *Chief Learning Officer* magazine Business Intelligence Board, showed that measurement remains the biggest challenge. There is a strong intention to measure the impact of extended enterprise learning activities on business performance, but with few exceptions, little formal measurement is taking place. Companies speak broadly of anecdotal evidence and observations that business has improved, but little hard evidence has been gathered. What is clear is that reach and consumption are commonly measured, while impact is not.

All companies interviewed believe that extending learning to an organization's partners can not only help increase revenues, but also elevate end-customer satisfaction. The benefits observed and potential benefits predicted from the entire population of studied companies suggest that extended enterprise learning may provide companies across industries with significant and sustained competitive advantage if properly designed and implemented. While many organizations are moving forward to improve their learning solutions for the extended enterprise, the challenge of measurement will be an immediate priority. As organizations increasingly focus on bottom-line results, the spotlight on this area will become even brighter.

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