

Breaking Through to High Performance - Unleashing the Power of Learning BPO

April 2005 - Harry H. Brakeley

Organizations increasingly seek trusted collaborators to help them achieve high performance through their learning function. The greatest opportunities, especially for businesses, will come from total enterprise learning outsourcing strategies that have the potential to transform a company—supporting growth, innovation and competitive differentiation.

Learning Strategies That Drive Growth

Around the globe, executives from every industry are seeking a variety of external relationships to assist them in their quest for high performance. From outright acquisitions to alliances, joint ventures and business process outsourcing arrangements, organizations have learned that owning all aspects of every business process can ultimately hamper their ability to sustain high levels of performance over time and to compete in tough markets.

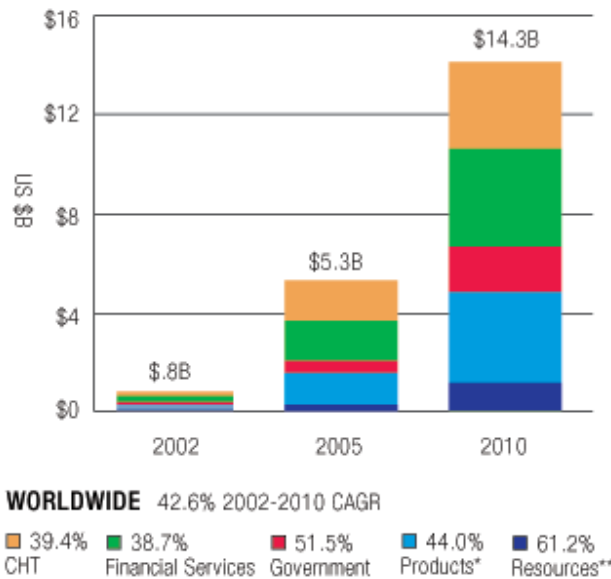
The outsourcing movement has been especially noteworthy in its growth and in its expanding penetration of business functions: from IT to finance to supply chain to CRM and now into the learning and development space. Outsourcing of the learning function—also called “learning business process outsourcing,” or “learning BPO”—really refers to a broad range of relationships that organizations establish with an external service company to transfer and/or share responsibilities for the successful operation of the learning function: design, development, delivery, administration, measurement and reporting. The outsourcing relationship may be as simple as outsourcing the learning management system and learning administration responsibilities (sometimes called “out-tasking”) or as complex as arranging for an external company to plan and deliver the entire enterprise learning function, encompassing an organization’s complete value chain, from employees to customers to channel partners.

Accenture Learning has been privileged to work with major companies such as A.G. Edwards, Avaya and Sun Microsystems to help them achieve high performance through a number of innovative learning initiatives that address the learning needs of global workforces in a wide variety of industries in 143 countries around the world. In each case, a key to success was that Accenture and the client forged a collaboration that truly accelerated the value delivered: increasing competitiveness and the speed to market for new products, moving from a variable- to a fixed-cost model and creating a learning function that supports the most critical strategies of the business.

Learning BPO is already a market force. Accenture research indicates that learning is now second only to IT in terms of the prevalence of some sort of outsourcing arrangement. Leading IT market research firm IDC estimates the global learning BPO market to represent a \$5 billion slice of annual corporate spending on external learning services. With a forecast compound annual growth rate of 42.6 percent, learning BPO looks to be a \$14.3 billion market by 2010. (See Figure 1.)

**Figure 1:
Learning BPO Market Opportunity by Vertical**

Financial Services, Communications & High Tech, and Products represent the largest Learning BPO market opportunities by 2010.



*Includes auto, consumer goods, industrial equipment, life sciences, and retail.
 **Includes chemicals, energy, metals and mining, and utilities.
 Source IDC, 2005

Yet, the role of outsourcing in the learning space is going to change dramatically in the coming years. When organizations were focused mostly on driving down costs, cost reduction was the first role assigned to outsourcing. Today, as executives turn their attention to using learning to grow top-line revenue and increase market share, they need to approach learning BPO with a new vision in mind. Accenture research into the characteristics of high-performance businesses has found that there are three essential building blocks to high performance. One is performance anatomy, which, distinct from market focus and distinctive capabilities, comprises a set of organizational mindsets. In turn, one of these mindsets concerns the development of the people who enable high-performance businesses to achieve extraordinary levels of employee productivity. In this way, they create a “talent multiplier”—achieving superior business results versus their peers per dollar of investment in their workforces.

Learning BPO is truly a key talent multiplier. Because organizations are applying lessons and best practices learned by others, especially in other business functions, and because learning services firms are continually refining their methods and increasing their capabilities, results are now delivered more rapidly, with fewer missteps. When you combine that fact with the growing knowledge of the significant impact that learning has on overall organizational performance, you can see that learning outsourcing is beginning to be seen as something that delivers more than cost efficiencies. It can deliver rapid business results that support growth: improvements in customer retention and satisfaction, increased speed to market of new products, improved productivity of strategic workforces such as IT, sales and customer call-center operators, and

decreased turnover of high-potential managers. Just as important, it can help an organization prepare itself for future challenges, helping it to continuously adapt, and to drive innovation and growth.

Learning With an Impact

Increasing numbers of studies are confirming the business impact of an effective learning function. The recent Accenture Learning survey of learning executives—conducted with a cross-sample of 285 senior learning professionals from Fortune 1000 companies, as well as a number of state and local government agencies—has uncovered some dramatic correlations between learning capabilities and overall performance of the enterprise. (For more information, see www.accenture.com/learning.) This research identified high-performance learning organizations—about 10 percent of those surveyed—that exhibit excellence in a handful of distinctive and common characteristics, and these are correlated with high performance for their companies in several ways:

- Productivity (as measured by sales per employee) was 27 percent greater.
- Revenue growth was 40 percent higher.
- Net income growth was 50 percent greater.

Executives are looking at their learning functions with a more critical business eye, and asking two important questions: First, “Can we achieve and then sustain high business impact from our learning function, or are we best served by working with an outsourcing collaborator that can shield us from technology change, and take us to the next level by using learning to drive organizational innovation and top-line revenue growth?” Second, they are also asking, “Can an outsourcing firm have the kind of knowledge of our organization required to support the mission of our business?” To both questions, the answer is, “Yes.”

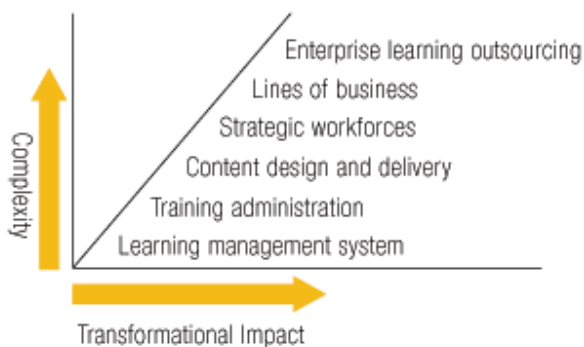
The Transformational Opportunity of Learning BPO

The struggle to move beyond a cost mindset is actually not something that only learning professionals are dealing with. In a down economy, executives in general examine everything through the lens of potential cost reduction. At the start of a growth period, many may not remove those lenses quickly enough and may thus miss opportunities to get out in front of the competition. So, what does learning outsourcing look like in a growth period?

The opportunity at the beginning of a period of economic expansion is to leverage learning BPO as something richer and more complex than simply an attempt to save money in the back office of the learning operation. The fact is, it is the transformational business impact that will sustain the relationship over time.

Graphing the different kinds of activities that fall loosely under the concept of learning BPO against the potential for transformational business impact, especially an impact on growth, we believe that many companies are only at the beginning of their journey to use learning outsourcing relationships to transform the business (See Figure 2.) As companies transfer increasingly more complex functions of their learning operations—from the learning management system to content design and delivery to strategic workforce development to enterprise-wide learning—the opportunity increases for achieving transformational value and high performance.

Figure 2:
Achieving Transformational Value



Here is the key point: Companies can get part way down the road to high performance with a focus on driving efficiency in the “non-core activities” of learning: the learning management system, learning administration, and so on. Make no mistake, these efficiencies are important and substantial. But really breaking through and using learning outsourcing to transform the business requires a more comprehensive relationship to address the core engine of learning and use it to drive innovation through the organization and its value chain.

Breaking Through

So on the journey to transformational business impact through learning BPO, are there friction points or resistance points? Certainly. One of them has to do with the question asked earlier: Can an external learning services company understand the mission of one’s business deeply enough to help fuel growth?

The experiences of pioneers in the field suggest strongly not only that they can understand, but that such a relationship is vital to achieving business impact. Today, we are working with companies like Avaya not only to focus on the cost efficiencies of learning BPO, but also to help define the key business indicators they most wish to influence through the learning BPO relationship—measures such as:

- Time to competency for strategic workforces
- Speed to launch new products in the marketplace
- Close rates for key sales staff
- Customer and channel partner loyalty

It is only when this dialogue begins—linking the learning function, the outsourcing relationship and business impacts—that an organization and its learning BPO collaborator can build a strategic learning plan to address these business issues and put into place a course of action that leads to workforce and business transformation.

Lessons From the Pioneers

The experiences of Accenture Learning, and those of several companies pioneering these deeper learning BPO collaborations, suggest a number of key common principles used to break through and use learning BPO to drive transformational business impact and achieve high performance.

1. Hire a collaborator, not just a provider. Veteran outsourcers know that hiring a learning outsourcing firm is not just a matter of the lowest price quoted or the highest savings promise

proffered. Experienced outsourcers demand a lot from their collaborators, price being only part of the equation along with expertise, flexibility and a spectrum of other assets. Veteran outsourcers acknowledge that the “hard issues” of pricing and contractual terms are important, but so-called “soft issues”—though often harder to address—are more important: things like industry knowledge, client track record, creativity and “culture fit.” “You can’t tell from a proposal what it is going to be like,” said one experienced outsourcer. “You are not allowed to put down ‘act of faith’ as a selection criterion. You have to fully understand the outsourcing service company’s culture, its track record in delivering value and its ethos.”

2. Work with your learning collaborator to define business outcomes early and often. Recent Accenture research confirms the central point we have been making here: that, although savings are a significant driver of outsourcing, experienced outsourcers take a much broader view of the benefits to be gained. Seventy-four percent of respondents to a recent Accenture survey report that their companies measure and manage outsourcing performance by looking at a broad range of business outcomes. Increased profitability tops the list, reflecting an expected cost-conscious mindset, but significant numbers of respondents also cited other desirable business outcomes such as improved management focus, speed to market, increased revenue and better customer loyalty. Equally significant, 60 percent of experienced outsourcers build these business outcomes into the arrangement from the beginning, and by the third year, almost 100 percent of respondents are relying on such outcomes.

3. Seek to deepen the outsourcing relationship, not just make it more efficient. Every outsourcing relationship or learning collaboration begins with a contract. That is not just proper, but critical for aligning expectations and interdependent responsibilities at the outset of an outsourcing arrangement. Yet experienced outsourcers know that, over time, a “contract mindset” can actually be a barrier to moving the collaboration toward its transformational potential. Accenture Learning clients such as Sun, A.G. Edwards and Avaya all affirm the importance of trust as a key to success. Trust is simultaneously something that must be earned over time, but also something that must be worked at, and not left to develop on its own. Selecting an outsourcing collaborator is not your standard procurement exercise. As one executive put it, “I am buying into a journey and a route. I do not know exactly how I am going to get there, but I am confident that I will reach the destination, because of the cultural fit”—that is, the deeper cultural alignment between his company and the outsourcing service firm he chose.

4. Focus on the impact of learning outsourcing across your entire value chain. Some companies approach learning outsourcing as if they were getting into a cold swimming pool: first a toe, then a tentative foot. At Avaya, by contrast, executives took a more transformational approach. For Avaya to optimize the performance not only of its employees but of its business partners, as well, a tentative arrangement to take over only limited functionality like learning administration was not going to work. By outsourcing its entire learning function to Accenture Learning, the company has been able to support the largest release of new communications products in its history at a cost substantially less than previous product rollouts. Some companies may succeed with a strategy that takes an incremental approach and uses that to move up the spectrum toward transformational learning outsourcing. Yet such a tentative strategy carries with it some risk. Those moving faster may reap the benefits faster, and it is hard to make up that lost ground. It may also be that the very tentativeness of one side of a learning collaboration interferes ultimately with the development of the close, symbiotic character that ultimately creates high performance through learning outsourcing.

5. Use active governance to steer the learning collaboration on the outsourcing journey. Experienced outsourcers understand that a learning outsourcing collaboration does not steer itself. Active involvement, through effective governance, is vital. As one experienced outsourcer expressed it, “Governance must work at the very top level all the way down to the operational level. Is everyone talking to everyone at every level?” Open communication is obviously critical. Yet more formal governance structures are also essential. What Accenture Learning calls

“Business Interlock” is an innovative approach being used successfully by a number of our clients to define the desired business outcomes of the outsourcing arrangement, and then monitor performance along the way to ensure the outsourcing company stays “locked in” to those outcomes. Full-time management attention is also a secret to success. Large percentages of successful outsourcers report that their companies have assigned a dedicated executive to the task of supervising the outsourcing arrangement. Outsourcing (at least successful outsourcing) is a full-time business proposition requiring focused attention at the management level.

Learning Collaborations for High Performance

Accenture Learning research into high-performance learning organizations has found that a distinctive characteristic of learning departments that have a greater impact on overall performance is their openness to a variety of external business relationships: not just traditional training vendors, but also outsourcing companies, business school executive education departments, traditional universities and online educational institutions.

By 2007, according to Accenture research, the types of collaborators upon which learning organizations rely will shift toward less reliance on traditional training vendors and greater reliance on consortia of companies in the same industry and comprehensive outsourcing collaborators. Nearly half of the organizations surveyed (48 percent) either plan to or are currently outsourcing one or more of their learning functions to a comprehensive outsourcing company.

Successful business outcomes through learning BPO are available to any organization with the willingness to work hard at breaking through the barriers—those that, in the words of legendary architect Daniel Burnham, “make no little plans.” Outsourcing for efficiency alone has had its day, in a world economy where companies were struggling to survive. A new vision is now needed—one that sees the ultimate value destination of learning BPO, and not just the interim efficiency milestones that get you there. Realizing the transformational impact of learning BPO requires a willingness to collaborate with those who have the track record of results and can earn the trust to get more deeply into the core activities of an organization. At Accenture Learning, we believe that deeper learning BPO relationships enhance the return on investment companies make in learning—giving them the potential to redefine their markets and achieve high performance.

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