



# Learning Outsourcing: The Next Generation

***Driving high performance through a deeper outsourcing relationship focused on generating long-term value***

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Conversations about outsourcing the learning function have traditionally begun as discussions about cost and about improving efficiency – just as conversations, in general, usually begin with some safe statements about the weather. But just as people looking for deeper relationships had better be prepared to talk about something more than just how much rain there's been lately, corporate executives looking for greater value from their outsourcing provider should be ready to talk about higher forms of business value that can be generated from the relationship.

It's not that cost takeout isn't important. Certainly it is; but once that conversation is over and once the arrangement has delivered those savings (usually in the 20 to 30 percent range), then what?

The conversation then needs to turn to longer-term issues with more impact on overall business performance. How can Enterprise Learning become more closely aligned to the business? How can learning support major business initiatives? How can its impact on business performance be assessed and tracked? How can innovations be incorporated into the learning and performance environment of the company? How can the aspiration to make the HR and learning functions more valuable business partners finally be realized?

The challenge here is, in part, the fact that many companies are not set up yet to do this kind of longer-term assessment of the impact of outsourcing. Accenture recently conducted a number of interviews with technology and business executives as part of a research program focused on generating greater value from outsourcing. One IT executive in the study put the matter well. He notes that when his department started doing outsourcing the providers were seen just as an extended resource pool: "They were a body shop that managed staff augmentation needs."

Today, this executive says his company has challenged its providers to step up and make a measurable contribution to achieving business outcomes rather than just hitting performance or operational targets. "It's a higher stakes game," he says, "but one far more likely to produce long-term value."

We believe this attitude is the wave of the future – a future that is focused on developing deeper relationships between an outsourcing provider and its client, where the insights of the provider into strategy and operations can have a greater impact. Outsourcing is an area frequently underutilized in terms of leveraging the long-term capabilities of the provider company. On the one hand, this is understandable: organizations outsource functionality but are leery of outsourcing responsibility and control – or even of looking externally for strategic input. On the other hand, such resistance means that an outsourcing provider with extensive and intimate knowledge of its client's inner workings, and with myriad ideas about improving overall business performance, finds itself hampered by relatively short-term contracts and by a relationship seen only through the lens of efficiency.

## Setting Bigger Goals

Why should executives be setting their sights on generating business value beyond cost reduction when it comes to learning outsourcing? Consider that the typical spend of learning is a modest portion of operating expenses – perhaps as low as one to two percent of the typical corporate budget. Even at the high end of savings from outsourcing (30 percent), the results are fairly modest. ("A rounding error," as one executive brashly stated.) So what else is there?

A more significant goal would be to reduce total work force costs through more effective Enterprise Learning services. For example, think about what it would mean to your company if you were able to reduce the amount of time your work force had to be away from the job to participate in a training experience. Less time away from the job means higher levels of productivity without having to increase head count. Keeping employees focused on completing their work, while leveraging the latest techniques for "just-in-time" learning experiences, provides a significant opportunity to reduce costs across the entire work force, not just the learning function. That begins to yield a benefit likely to get a chief financial officer's attention.

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Then, an even more advanced goal would be leveraging learning to impact revenue growth and business results through better work force effectiveness. For example, what would the effect be if you could reduce the time required for business-critical work forces – e.g., sales, service or R&D – to reach competent levels of performance? If you could reduce new-hire training from six weeks to two weeks – while still delivering high performing employees to the business at the end of the training who are capable of performing at least as well – that would drive significant business results. So would being able to sell a new product or service within hours or minutes of its release. These outcomes – which advanced learning solutions can deliver today – provide a highly leveraged benefit to the business. In fact, based on Accenture analysis of actual results achieved by organizations implementing broader talent management and learning initiatives, we believe that the return on investment from greater work force effectiveness can range from 10 to 20 times the benefits achievable by taking an approach focused only on cost reduction.

A trusted outsourcing provider can help an organization deliver these business benefits more consistently. Enterprise Learning is a function where the ability to discard the traditional restrictions of a client-provider relationship can pay big dividends. One might well argue that the ability of learning outsourcing to contribute to the general innovative capacity of a company has no parallel. At heart, learning outsourcing is more than merely a transactional form of outsourcing. Yes, it designs and delivers learning experiences more efficiently. It produces cost savings. At the same time, it touches the performance capabilities of every employee of the company. Well-designed and -administered, it can also capture the innovations that occur naturally during the performance of the business and feed them back into the overall learning capacity of the company.

Learning outsourcing can deliver big impacts for businesses that can help them achieve high performance: supporting business transformation and revenue growth; driving efficiencies; providing ongoing access to innovation; helping develop deep, specialized skills in key work forces that can drive a distinctive, differentiated talent capability; and creating more precision across the organization in terms of governance, control and metrics.

### **Supporting Business Transformation**

Whether the economy is up or down, large scale business transformation remains a key strategic objective for many companies. And Enterprise Learning has a long-term role to play in successfully implementing strategy. Today's board-level executives want to know more than just how much money it's saving in its Training department. They want to know how Enterprise Learning is helping to support major business objectives, how it is helping the work force execute strategy and how it is driving measurable business results. Chief executive officers are now likely to make much more challenging demands on the Enterprise Learning function and those who run it. They are more apt to look to learning as a support for major business change or to support aggressive initiatives to increase market share.

A strong example of the ability of Enterprise Learning, delivered on an outsourced basis to support transformational business change comes from Telstra, Australia's leading telecommunications and information services company.

In November 2005, Telstra's CEO, Sol Trujillo, announced a five-year, end-to-end business strategy to transform the organization from a 20th-century telephone utility with a government-style culture to a 21st-century growth business with a customer service culture. Changing the business in that way meant changing the culture of the company but, more specifically, improving the knowledge and performance of every member of Telstra's work force.

Senior management, acknowledging the fact that successful implementation of the strategy required the work force to perform in new ways, included in the overall investments A\$200 million (approximately US\$188 million) to develop a next-generation engineering, technical and operations work force to deliver on Telstra's transformational business strategy. A key part of this investment has

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To design a new learning approach and program capable of meeting the comprehensive strategic needs of Telstra's business, management began by outlining several imperatives for the learning approach. These included:

- Accessibility to learning events by all of Telstra's operations people, and the capacity to deploy courses quickly to a widely dispersed employee population across all of Australia;
- Consistent delivery of learning and value-adding knowledge – especially about new technologies – so that the work force could, in turn, deliver a consistently high-quality customer experience; and,
- Time-efficient, modular, and blended learning solutions that could be readily integrated into the demanding work schedules of Telstra's people.

Because of the need to move quickly and at a massive scale, Telstra deployed an outsourcing strategy for the learning function to provide needed skills in areas such as field technical, network operations, construction, engineering, IT, product management, billing and procurement.

The result was the creation of the Telstra Learning Academy, managed under a five-year outsourcing agreement. Telstra is leveraging its provider's global content development and delivery capabilities, which gives the company flexibility, scalability, and access to expertise and training delivery based on leading practices. Outsourcing in Telstra's case was essential to accommodate the unpredictable nature of the telecommunications industry, with large peaks and valleys in terms of the demand for services and training.

The Academy has fundamentally changed the structure of operations training at Telstra. The former approach to developing skills had often been ad hoc, with programs insufficiently linked to strategic business priorities. With the establishment of the Academy and its governance structure, the company can now track how every class, virtual instructor-led session, and online course is tied to the achievement of the larger transformational strategic objectives.

Four distinct Academy functions – each with its own expertise, accountabilities and key performance indicators (KPIs) – work to translate learning plans and strategies into learning solutions that develop the skills, competencies, and behaviors needed to execute the company's transformational strategy:

- 1. Business alignment.** A dedicated function is focused on managing the day-to-day link between each business group and the Academy learning programs. This function, called "Business Interlock," develops end-to-end learning plans for each business unit based on strategic direction. This team also brings in fresh thinking from the telecommunications and learning industries. They work with development leads and Telstra subject matter experts to define course audiences, required content and delivery formats.
- 2. Learning design and development.** Content development and instructional design – including development of student activities and assessments – is performed around the world in Australia, India and the United States. This is one of the real advantages of an outsourcing arrangement. In Telstra's case, the company leverages its provider's global centers for instructional design excellence. Because the centers offer a 24/7 production capability, Telstra can get learning programs developed faster than it could under its previous approach.
- 3. Learning delivery.** The course delivery team schedules and conducts live classroom and virtual instructor sessions. This team has a group of full-time master instructors, most with deep industry experience. They select and train a vast network of subject specialist instructors that deliver classroom sessions in more than 70 locations throughout Australia. They also manage two dedicated facilities and venue infrastructure.
- 4. Learning administration.** An administrative work force supports the entire operation, providing technical assistance to learners through a help desk. They also manage the course catalogs and track delivery.

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For example, shortly after its establishment, the Academy was commissioned to support a major organizational restructure with the centers that manage field work force logistics. In support of the redesigned jobs and needs for systems training associated with the reorganization, the Telstra Learning Academy developed more than 55 hours of courses and assessments under a very tight time line, and delivered more than 6,000 hours of training across Australia over a two-month period. This training helped smooth the transition to the new organizational structure and contributed to a more than 15 percent increase in work force productivity.

Another program called "Communication Technicians of the Future," provided an opportunity for innovative learning. By installing new software tools in the fleet of more than 5,000 mobile computers used by field technicians, Telstra is providing them with the best tools, systems, and processes to do their job and deliver great customer service.

An induction program for call center employees introduced in January 2008 covers processes, products, systems, health and safety, troubleshooting and customer service. It has improved employees' product knowledge and helped them give more informed advice to customers. An internal study found that the program contributed to a 11 percent reduction in average call handling time, which could save Telstra more than A\$1.6 million per year.

Other operational benefits that the Telstra Learning Academy has delivered include:

- Reports of service trouble reduced by more than 40 percent,
- Cost of activation cut by more than 22 percent, and
- Held orders for Asymmetric Digital Subscriber Line (ADSL) service (orders that temporarily cannot be fulfilled) reduced by more than 90 percent.

For Telstra, the strength of its Academy model, based on an outsourcing collaboration, comes from the discipline the company can now bring to the way training is developed and delivered, as well as from more scalable and flexible solutions, the blend of delivery styles and ready access to global learning expertise.

### **Providing Ongoing Access To Innovations and Experienced Resources**

Innovation is always an imperative, in good times and in bad. Indeed, carefully planned and executed initiatives to deliver process innovations, or specific growth opportunities fueled by product and service innovation, will continue to be important. So the attitude of companies today needs to be, "All hands on deck." Organizations need to be looking for good ideas, whether they come from internal resources or from an outsourcing collaborator.

Veteran outsourcers are finding that having a partner in place to run the "factory" of learning design and delivery frees them to think more creatively and substantively about the needs of the business and about innovative ways to support that business. However, the best outsourcing providers also become the source of new ideas and innovations. Some organizations also look for consultative capabilities in areas such as strategic visioning in the learning space, curriculum transformation, alternative funding models, and better integration of related programs – learning, knowledge sharing and performance support – across the entire talent management life cycle.

This reliance on fresh, outside thinking has been the experience at BT, the global communications services company, which has pursued a learning outsourcing strategy to support its global 21st Century Network platform, allowing BT to deliver software-driven services that are faster, more reliable and simpler to use. According to Peter Butler, head of BT Group's Learning Academy, "My focus as the learning executive is on delivering a measurable change in behavior or performance of our work forces on behalf of the organization and its new strategic goals

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and business models. Strategically, that's what I am all about. How that happens becomes the job, then, of the outsourcing provider. If I'm focusing too much on the how, it's challenging for me to be innovative about the what."

At the same time, by opening up the organization to the fresh ideas of an external provider, a company can often develop innovations beyond what it might otherwise have come up with based only on an internal perspective. "Internal centers of excellence or shared service centers certainly have their place in the overall mix of operational approaches to learning administration and delivery," Butler said. "The risk there, however, is that an internal organization is going to be constrained by internal thinking. We rely on our outsourcing provider precisely because they can bring fresh thinking into our enterprise. The dialogue that ensues from two world-class organizations exchanging ideas is absolutely invaluable. We get scale and consistent delivery through learning outsourcing, and equally important is generating innovation and creativity that is difficult to achieve within one's own company."

### **Driving Revenues Through Better Customer Service and Sales**

Cost reduction and lower prices, while important, are rarely differentiators when it comes to the consumer or enterprise customer. If everyone is slashing costs to the bone, what else can a company offer that will establish long-term relationships with customers? A high-quality, differentiated customer experience in both sales and service is one way to grab customers and hold on to them – and, thereby, to grow revenues. But delivering such an experience depends on consistent execution by a well-trained work force engaging in the right behaviors and equipped with the right knowledge and tools.

The retail division of a major European telecommunications operator, for example, turned to an innovative e-learning solution to enable its work force to sell the more complex communications offerings of the Internet age. Using an interactive, simulation-based approach, the learning experience allowed employees to participate via their own computers, learn from mistakes and practice real-life conversations in a safe environment.

The goal of the learning program was to dramatically increase employees' confidence in – and knowledge of – needs-based selling and in the potential benefits of Internet-based communications technologies. The learning experience was subsequently rolled out to additional work forces across the company, including field engineers and consumer advisors.

The company has realized significant benefits from the program that have improved the customer experience. A rigorous metrics program devised by the company identified benefits that included:

- **Increased sales.** Consumer advisors converted 102 percent more sales calls than those in the control group not using the e-learning solution. More than 80 percent of customers purchased a product or service as a result of a conversation with an advisor who had gone through the new training program
- **Higher levels of customer satisfaction.** When customer-facing employees receive good training, it is typical to see customer satisfaction ratings increase by two to three points. Following the implementation of the simulation-based learning program, customer satisfaction levels have increased by an impressive 16 points.
- **Reduced time to reach competent levels of customer service.** After participating in the simulation-based program, consumer advisors required less than five days to reach the necessary level of capability to support the company's new offerings. Using traditional training methods, employees had required 1½ months to reach the same level of competence. Similarly, account professionals are now ready to sell new services in less than three weeks, versus 12 weeks prior to the new learning solution.

In short, the company was able to create an innovative program that quickly and consistently prepared its sales and service work forces to serve customers

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better. This not only positioned the company favorably among its competitors, but also contributed to its ability to create greater shareholder value.

**Developing Talent as a Differentiated Capability**

Investing in work force talent to create a differentiated capability during a downturn is almost an undiscovered country. During the last extended recession in the early 1990s, talent management was still a young discipline. Today, by contrast, the link between distinctive work force capabilities and better business performance is more accepted. So, too, is the role of Enterprise Learning in the development of stronger talent capabilities.

During challenging economic times, it is more important than ever to focus investments on work forces that are deemed most important to overall talent capabilities and to business success. A research study conducted by Accenture in conjunction with Babson College found that increasing numbers of HR and learning executives are focusing their investments on the work forces from which they can derive maximum business impact.<sup>1</sup>

It's easy to understand why. Work force investments made indiscriminately can be a waste of time and resources. Organizations may end up providing human resource services and work force development initiatives that fail to fulfill a business need, or that are out of alignment with the mission and strategy of the organization.

By contrast, more focused work force investments that target-specific, mission-critical jobs and roles can improve both work force and organizational performance. Customer retention improves because service agents acquire the skills and information they need to meet or exceed customer expectations. Sales revenues and margins improve because account managers become more effective at selling and negotiation. Work forces become greater sources of innovation because people have the right tools at the right time, including access to experts and relevant knowledge, and richer opportunities for collaboration.

One example of this more focused approach to work force learning on an out-sourced basis comes from BT once again, which was looking for a learning solution to support its aggressive plans to become a global leader in the digital networked economy and to lead the communications industry in customer service.

Apprentices form an important and integral part of BT's work force, so their performance is critical to overall success. A government-funded apprenticeship program is in place that is aimed at providing a structured career development plan that builds job-relevant skills, while enabling apprentices to advance toward a foundation degree. A key challenge for BT was to develop high-quality accredited programs for its apprentice program that would meet its skills requirements for the future, and could be delivered to its dispersed work force cost-effectively, embracing the latest learning technologies.

An outsourcing solution has helped BT develop accredited curricula for the company's apprentices that address high-end technology skills requirements. Compared to other apprenticeship programs in the United Kingdom, BT's has enjoyed enormous success.

Deployment costs for a BT apprentice are significantly lower than costs to bring in outside candidates: 45 percent lower compared to recruits who need supplementary training, and 31 percent lower even compared to qualified candidates who require less time to get them working at competent levels. The training is extremely effective, as seen in the fact that assessment scores for BT's apprentices are higher in key areas. Graduated BT apprentices are also more productive, reducing costs by more than £3,600 (US\$7,200) annually per apprentice. The program has also received important external validation. In recognition of its apprenticeship program, BT was named "Large Employer of the Year" in 2007 by the UK's Learning and Skills Council.

There is another important point to consider as you read about the success shared through these case examples. While it is true that all of these outsourcing cases were founded on solid contract terms with commercial terms to align the contracting parties, there is something far more powerful than legal con-

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tracts at work here. In the cases highlighted in this article, collaborative governance models and effective working relationships, grounded in trust, were the key contributors to achieving business results. Effective outsourcing relationships must evolve past staring across a negotiating table from each other. Or, as an executive at a recent HR outsourcing conference was heard to say, “outsourcing is something we must stop doing to each other, and transition it to something we do *with* each other.”

### **Conclusion: Learning Outsourcing and Effective Relationship Building**

The first generation of learning outsourcing was often about transactions. The next generation of outsourcing solutions is about relationships that drive longer-term business value. The first generation was focused primarily on the short term. Today, companies must invest wisely in programs and relationships that can strengthen them in the medium and long terms.

An outsourcing arrangement is a big commitment over an extended period of time. It only makes sense, therefore, to look for bigger things from that commitment. A good outsourcing provider in the learning space comes to understand the needs, challenges, and opportunities of its client very deeply. Handled properly, the relationship can become a constant source of fresh thinking. At the same time, it's a relationship built on excellent service, attention to detail, meeting deadlines and running learning like a business.

Leveraging the expertise of an outsourcing provider presents an opportunity to significantly improve revenue growth and business results through work force effectiveness. Further, outsourcing can increase a company's access to innovation, deeply experienced resources, and scalable learning solutions that can drive transformational business change and help the entire organization achieve and sustain high performance.

### **Endnotes**

**1** Ellen Balaguer, John Higgins, Tom Davenport and Craig Mindrum, “Driving High Performance through Mission Critical Job Families,” [www.accenture.com](http://www.accenture.com).

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