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Leading the Education Function Into the Future

by Thomas J. Starr

▶**As employers struggle to find and prepare employees to compete in the knowledge economy, they face common challenges.** *This article discusses four approaches to managing the immense and complex learning function and agenda: baselining and benchmarking, new organization structures, strategic outsourcing and e-learning. These approaches bring a strategic perspective to the education function that ensures learning is contributing to the business goals of the organization and is being managed responsibly.*◀

The sheer size of the investments that corporations are making today in learning and education has captured the interest and attention of senior management. Today, it is common for a Fortune 1000 company to spend more than $100 million on training. Add learning opportunity costs—the productivity lost when employees are removed from their jobs to the classroom—and that figure can easily double. Executives are asking: "What is our return on this enormous investment?"

The driving forces behind building a smarter workforce are well documented—a thin supply of talented labor, increasing product and workplace complexity, and the globalization of the economy. Intellectual capital has emerged as a key source of competitive advantage for business. Businesses need smarter people, and people need education to become smarter.

Much of the talk surrounding corporate education throughout the past decade has focused on aligning training with the needs and strategies of the business. Today, training itself is big business. In the United States alone, corporations spend $66 billion a year on education services, a figure that is expected to double over the next five years. The hottest segment of the market, e-learning, is expected to grow to $7 billion by 2002 and $11.5 billion by 2003.

Training and human resources (HR) clients tell us that, as they struggle to find and prepare employees to compete in the knowledge economy, they face common challenges in managing the immense and complex learning function and agenda. Some of these are new challenges, brought about by changes in the economy and technology. Others are historical challenges, receiving increased attention given the renewed interest in learning and education.

Decentralized delivery. In many companies, training is a highly decentralized—even fragmented—function that has evolved over a history of half-integrated mergers and acquisitions and local ad hoc needs. Fifty to 80% of training may live in multiple business units "outside of HR," and core activities and staff are duplicated many times over. This is a costly and often inefficient approach, and it works against sharing services or best practices, and against

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any kind of shared enterprise strategy or agenda for learning.

Unmanaged spending. In decentralized training organizations, accountability for spending is broadly distributed. Processes for budgeting, capturing and recovering training costs vary widely across business units, so it is difficult for many clients even to quantify—let alone actively manage—the investment they are making in learning. This in turn leads to weakened credibility with senior management.

Fragmented supply chain. The supplier marketplace for learning services is comprised of thousands of niche and specialty providers, none with greater than a 0.5% share. Training functions rely heavily on outside providers—most spend between 45% and 65% of total training dollars on vendors and consultants—and they face what amounts to an enormous procurement act in a marketplace that is increasingly fragmented, complex and confusing.

New technologies. Adding to this complexity is an explosion of new technology applications for learning, and a proliferation of suppliers specializing in e-learning content, tools and infrastructure. Many executives have set concrete goals for reducing classroom learning and training clients, who are still new to technology, are looking for help in setting e-learning strategy, evaluating options and making choices.

Broadened mandate for training. The pie is expanding for the training function. Global employees, who may receive 15-25% of the training received by U.S. employees, are now critical targets as companies continue to focus their growth strategies beyond North America. Customers, suppliers and business partners have emerged as new candidates for learning, as an innovative means of creating "stickiness." And the boundaries between learning and knowledge management have blurred, as companies attempt to capture and systemically distribute information and insight regardless of the specific content or delivery medium.

As training clients struggle with these complex issues, executives are asking tough questions. In some cases, these questions reflect skepticism over the value of learning—something training and HR professionals have battled for years—but more often, they demonstrate a genuine desire to ensure that learning is contributing to the business goals of the organization and is being managed responsibly:

- How much are we spending on learning, and what is our return?
- Is learning going to the right places and people? Are employees getting enough? Are groups going underserved?
- Is learning connected with the needs and strategies of the business, and is it focused on the skills of the future?
- Are we organized in the right way to deliver?
- Are we leveraging our resources and our spending?
- Are we taking advantage of technology?
- How do we compare with others?

We find that training and HR executives in our client organizations respond to these questions and challenges by taking action in four broad areas: baselining and benchmarking, new organization structures, strategic outsourcing and e-learning.

BASELINING AND BENCHMARKING

The first step toward change is understanding the current state. An astonishing number of Fortune 1000 companies today cannot even quantify, with any confidence, what they spend on training—let alone where, why and how effectively it is being spent.

Many large, decentralized companies are undertaking research projects to document current learning costs and practices, as a means of credi-

EXHIBIT 1

Baselining and Benchmarking

A large, diversified financial services client undertook a review of all training operations and discovered 27 separate, autonomous groups responsible for providing training to different constituencies in the organization. Management, professional and basic computer skills were provided by 20 of the 27 groups. Administration and operations functions were duplicated in 23 of the 27 groups, consuming, according to a time study, 24% of training professionals' time—or 69 full-time employees. Over 300 vendors supplied 2,000 programs. The firm was operating four different learning management systems. Total training costs were found to be $120 million, ranging from $940 per employee in one business unit to $3,400 per employee in another.

The client used these and other findings from the study as a business case for change. Using the data, it evaluated and selected opportunities for improvements in effectiveness, efficiency, cost and collaboration, including:

- Creation of a new training organization design to increase efficiency and make the function more strategic and coordinated across the firm
- Identification of $10 million in annual savings through implementation of a shared services function for learning
- Identification of priority opportunities for migration of instructor-led training to e-learning, with potential cost savings of $40 million over five years
- Identification of opportunities for expansion of learning to experienced job incumbents, non-North American employees, job candidates and customers
- Identification of opportunities to decrease risk to the firm by automating the process of tracking continuing education for professional certification and licensure.

bly explaining what they are investing in learning and the value achieved. Such projects explore all aspects of the delivery of learning services and the infrastructure required to support them, including strategy, organization structure, programs and services, staff, vendors, operations and technology. Typically, the findings are compared against best practices, benchmarks, stakeholder requirements and/or competitor practices.

These projects may quantify what is already known or confirm hypotheses—for example, that core activities and staff are duplicated across the businesses, or that technology is underutilized for process automation or training delivery. They may also yield surprises: One client found that 64% of all training days went to new hires. The client was proud of the investment it made in new employee programs, but did not realize that such an imbalance existed. In some areas, the client was able to tie the lack of continuing education for experienced employees to retention.

Another client, described in Exhibit 1, discovered irregularities in the processing and tracking of continuing education for professional certification that put the firm at risk of federal noncompliance. Still another found seven contracts with the same training vendor across the company. The result of this kind of analysis is, or should be, identification of problems, gaps or irregularities in the system that present breakthrough opportunities for improvement, change or even transformation.

The Author

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EXHIBIT 2

New Organization Structures

A global investment banking firm created a project to explore which training services were best delivered at the business unit level and which were best shared across the businesses—and the organization changes that were required to achieve the most effective and efficient delivery approach.

At this historically decentralized firm, both training staff and line business managers believed that a great strength of training was in its decentralization, its "closeness to the business." At the same time, they found that such a highly decentralized structure, without enterprise level direction or coordination, resulted in duplication of effort, redundancy and, therefore, great cost inefficiency. They discovered innovative best practices existing in the business units, but no mechanism or structure to ensure that they were shared or leveraged across the company. They found virtually no enterprise level programs, services or strategy to drive a unified employment brand or talent management approach that would help them meet their goal of becoming one of the "100 Best Companies to Work For."

As a result, they designed a future state learning function with three key elements:

- *Business unit learning services*, which would continue to provide local training services that met business-specific needs
- *Shared learning services*, which would provide administrative, logistical, transactional and infrastructure support services to the businesses
- *Enterprise learning center of excellence*, with responsibility for providing expertise, direction, coordination and resources that were strategic to creating the corporation's employment brand and its overarching HR and talent management strategies and approach.

The company found that it could fund the establishment of the center of excellence with savings generated through shared services, and that additional dollars could be saved—or reinvested—by consolidation and reengineering of training at the business unit level.

NEW ORGANIZATION STRUCTURES

HR and training executives are experimenting with new organization structures that address inefficiencies in the decentralized learning delivery system and encourage multiple groups to collaborate toward an enterprise learning strategy—while at the same time keeping training as "close to the business" as possible.

For the first time, organization design principles that have been applied to the HR function by David Ulrich and others are now being directed toward training:

- What should be owned and delivered at the corporate or enterprise level?
- What should be owned and delivered at the business unit level?
- How should training be organized to share services, best practices or intellectual capital across the enterprise?
- How should training be organized to collaborate with HR toward an enterprise talent management strategy?

This is a difficult balancing act: A dominant corporate organization may lose sensitivity to the needs of the businesses, while a dominant business unit structure may become repetitive and cost-inefficient and collapse of its own weight. A corporate organization is crucial to creating and facilitating the contribution of learning to the employment "brand" that so many companies are working hard to establish; the business unit model may work against that, or at least make it more difficult to achieve. The correct balance is dependent in part on the role that training plays, or wants to play, in the organization. (See Exhibit 2.)

In recent years, Ulrich has urged HR functions to pay more attention to their role as what he calls "administrative experts," acting as responsible caretakers of the enormous investment in HR services and infrastructure. Many have created shared service HR functions, responsible for providing HR transaction services and infrastructure that are common to all businesses across the corporation, improving the service level and managing down the cost.

An emerging number of companies, following HR's lead, are establishing shared service functions for training that are responsible for central administration of programs, vendors, technology and operations that are determined to be core or commodity across the organization. This trend will continue as clients discover how many nonstrategic, nonproprietary programs, activities and staff are duplicated across the training enterprise—and the cost.

STRATEGIC OUTSOURCING

In training, *outsourcing* has historically been defined as hiring external providers for course design or delivery. More recently, the trend in finance, information technology and other shared services (including payroll and benefits) has been to outsource at the strategic level, where entire processes and organizational functions are managed externally—often termed *business process outsourcing*, or *BPO*. An increasing number of companies are exploring this strategic approach for training and education, given their rising cost and complexity.

The benefits of the BPO approach are clear. It allows the company to focus strategically on its core business. It reduces the capital intensity of the remaining business and transfers more risk to suppliers. It upgrades the service provided to best-in-class levels. It addresses a shortage of skilled managers and labor.

Today's training organization supports a significant infrastructure of real estate, staff and technology resources for the purpose of delivering learning services. Strategic or business process outsourcing allows the client to recognize value by the reuse or the elimination of such resource commitments. By taking advantage of the supplier's investment in infrastructure, the client also gains both flexibility and future cost avoidance.

We have observed and helped facilitate progressive levels of commitment to training outsourcing (see the figure):

"Today's training organization supports a significant infrastructure of real estate, staff and technology resources for the purpose of delivering learning services."

1. *Administration and application*. The client outsources course registration and related processes to an external service center, together with the enabling learning management technology.
2. *Operations*. The operations model adds facilities management, resource and capacity management, and production and fulfillment services to the administration/application approach.
3. *Program management*. The program management approach includes all of the above, plus management of a portfolio of core/commodity programs and their vendors, and migration of selected core content to electronic delivery.

FIGURE

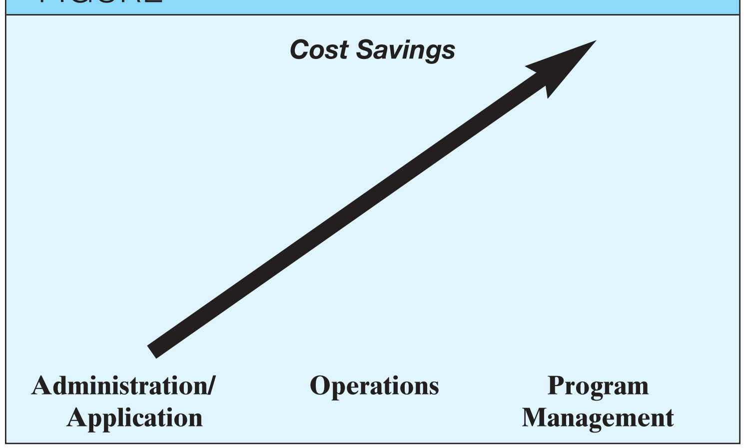

EXHIBIT 3

Strategic Outsourcing

In 1999, one of North America's largest high-tech companies approached PricewaterhouseCoopers to contribute to a massive effort to streamline corporate operations and focus the company more strategically on its core business. The result was one of the largest business process outsourcing partnerships in history, and the single largest in terms of learning services.

Business drivers fostering the partnership include the need for breakthrough expense reduction, coupled with the goal of dramatically increasing the availability and accessibility of learning—especially to employees outside of North America, which is a target growth area for the company. The rapid migration of instructor-led training to e-learning is a primary objective, as a means of expense reduction and, strategically, as a way to culturally reinforce the company's e-commerce strategy. The partnership includes:

- Outsourcing to PricewaterhouseCoopers of all management, professional, desktop and technical training programs
- Outsourcing to PricewaterhouseCoopers of all learning technologies, operations/logistics, vendor selection and management, and content "portfolio management"
- Client retains control of OD and strategic change work, executive/leadership programs and other strategic courseware.

Key current and expected results from the partnership include:

- Migration of e-learning from less than 10% to greater than 50% of total student training days over three years
- More than 30% reduction in learning opportunity costs and more than 30% reduction in learner time
- A 50% reduction in vendor costs
- A 10*x* increase in availability of learning to non-North American employees.

Clients committed to the full program management model—as described in Exhibit 3—have experienced direct unit cost decreases of up to 30%, together with equivalent indirect cost savings. For a Fortune 1000 client, this may be in the 40s, 50s even 60s of millions of dollars over a typical five-year contract period.

E-LEARNING

We all believe that technology has great potential for the management and delivery of learning. The promise of e-learning—to increase the availability, accessibility and personalization of learning, and to do it faster and cheaper—is a goal to which the training profession has always been committed.

Yet despite the hype, many companies continue to struggle to turn the potential of e-learning into reality. The marketplace is crowded with vendors promising lower costs and fatter profits. Savvy buyers understand that these promises are dependent upon daunting levels of up-front investment in time, money and organizational disruption.

The real benefits of e-learning are realized only once a company has installed the technology infrastructure required to allow e-learning content and tools of whatever stripe to be delivered globally, on demand, to the desktop, and tracked, measured and reported. This is a much more difficult task than buying or developing content: It is an enterprise change management task.

Despite the enthusiasm of many executives for e-learning—leading some to declare goals and timetables for the conversion of instructor-led to technology-based training—they are often reluctant to commit to the dollars or the blood, sweat and tears of "another enterprise system implementation."

Successful companies have found a way to make the business case for learning management (see Exhibit 4). They understand—and can quan-

EXHIBIT 4

E-Learning

The ways in which companies develop and sell the business case for a learning management system (LMS) are as unique as the companies themselves. One client, an aerospace manufacturer with over 30 separate businesses, combined a financial justification with a discussion of effectiveness measures that would be improved as a result of the consolidation and process reengineering that the LMS would help bring about.

Like most companies, this client had many different training technologies already existing in the business units. Therefore, it positioned the LMS not as an addition but as a replacement. The client was able to document $10 million in system and maintenance savings as a result of having a common platform, which more than offset the cost of the new LMS.

From there, the client identified additional organizational improvements that would be driven by the installation of the LMS. It was able to quantify many of these in financial terms and yet, once executive management saw that the system would pay for itself, these additional changes appeared more intuitively obvious and sold themselves.

	Today	**After LMS**
Number of learning/training systems	43	1
Dedicated ethics/compliance systems	2	0
Course catalogues	40+	1
Courses throughout corporation	50,000+	No duplicates
Training policy and practices	Many	Common
Quarterly tracking reports	Manual (4-5 FTEs)	Automated
Ability to share courses	Poor	Excellent
Ability to share resources, supplier discounts	Poor	Excellent
System look and feel	Many	1
Employees on LMS	10-35,000	All

tify—the problems and pathologies, and the waste and redundancies, that the learning management system can help eliminate. That, really, is the theme of this article: the more efficient, effective and strategic delivery of learning services to the organization. The system infrastructure—together with the organizational and process changes it drives, or should drive—is the enabler that training professionals have been waiting for.

What's next for training? Given the continuing expansion of the role of training and its importance; the sea changes in how we are thinking about creating, delivering and managing training; the proliferation of new solutions and technologies for training and other human capital systems; the constant influx and integration of new training departments into the business; and the unabated growth that experts are predicting in corporate training expenditures—how will we prevent training from running away from us? How will we keep it all under control, and pointed in the right direction?

The four approaches to change described in this article—baselining and benchmarking, new organization structures, strategic outsourcing and e-learning—require that learning professionals think and behave differently about their function. They require that "learning" be viewed not just as content to be delivered, but as an entity to be managed—what Van Adelsberg and Trolley call "running training like a business." In a sense, this is the strategic perspective that those in the profession have always talked about, applied not just to our internal customers and clients, but also to ourselves and our profession.