



The Dramatic Global Growth of  
Training Outsourcing

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# The Dramatic Global Growth of Training Outsourcing

**“To win the war for talent, business leaders must make talent management a top strategic priority — and then do whatever it takes to convert that strategy into action.**

Deloitte Consulting

All ongoing research from the world's best business thinkers has featured information on the war for talent. We know how the shortage of talent has become a top issue and “how the war for talent is shifting the balance of power from companies to workers”. This war is now realigning the corporate learning focus from skills development and performance improvement to building and supporting talent across the organisation.

The learning function now holds the key to corporate success today. Learning is no longer seen as a discrete activity apart from work or performance. It is now seen as a strategic function that can transform a company into a high-performance organisation.

The four significant trends shaping today's learning industry are:

1. A major convergence around talent management
2. Value demonstration and optimisation
3. The need for speed
4. The dramatic growth of Learning Training Outsourcing (Learning BPO)

All leading learning professionals are committing themselves to understanding these trends thoroughly so they can be developed, adjusted and executed in their own short and long-term learning strategies.

This paper focuses exclusively on the emergence of Training Outsourcing or Learning Business Process Outsourcing, which is now becoming a strategic part of the transformation of any organisation's Learning and Development function. One of the key benefits is the enablement of the learning department to contribute higher levels of value to the corporation — as strategic partner, a business leader, and talent manager — separating it from administrative tasks.

**“The two corporate support functions that will be most impacted by the talent crisis are HR and Learning.”**

Josh Bersin,  
President,  
Bersin & Associates

## CURRENT LEARNING CHALLENGES

CEO's are asking learning departments to function as business partners in helping implement strategy, accelerate change, and engage and develop talent. At its core, learning functions strive to execute a training strategy that meets organisational demands.

Aligning learning strategy with business strategy stands as the most imperative objective on the agendas of learning executives. Yet the learning function often faces a profound level of complexity in achieving this objective.

In our discussions with learning professionals the feedback we often receive is, "we are being asked to do more with less". This adds great pressure to professionals who are already feeling stressed about their current workloads.

We have found that learning teams have a genuine desire to focus on more strategic areas of the business yet they are constantly being diverted. Studies show that one-third of staff time and effort in learning is devoted to administrative tasks such as organising training calendars, scheduling courses, booking venues, sending out program pre-work, booking facilitators etc.

Confronted with the reality of increasing job complexity and growing demand from internal customers, leading learning professionals acknowledge the overwhelming challenge of ensuring that their limited resources contribute directly (and significantly) to business performance.

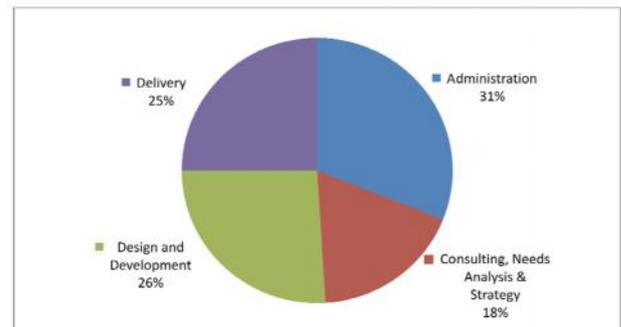
**Our research demonstrates that training outsourcing is indeed a business practice that any savvy manager must consider."**

**Josh Bersin**

## THE OLD WORLD

Practically all organisations use external providers for some learning services and about 30% of all learning budgets are spent on external services. (Source: Sugrue & DeViney)

HOW THE L&D FUNCTION SPENDS IT TIME



American Society for Training and Development

Traditionally, when the learning function needs additional resources to cope with peaks in demand or to meet specific requirements, it uses the services of a third party. In practical terms, the task is outsourced. This allows learning to operate with a lower fixed headcount and to organise short-term resources as required. This tactical approach is now under examination as outsourcing in this way only resolves immediate problems with no additional strategic value. It does not begin to leverage the significant benefits that can be derived from a partnership with a specialist provider whose core competency is learning.

## HOW CAN WE KEEP DOING MORE WITH LESS?

According to TrainingIndustry.com, many large corporations spend as much as 1% of their revenues on learning services.

In the training industry, the management of these resources and effective use of the supply chain are keys to maximising the efficiency of training.

Creating powerful partnerships is what generates benefits and optimises returns for businesses.

Although many learning departments have gone down the path of consolidating training providers, establishing supplier agreements and publishing enterprise-wide learning curricula, progressive learning leaders are now asking how they can continue to contribute more business value by leveraging from long-term

<b>Increases Business Effectiveness</b>	<ul style="list-style-type: none"> <li>• Analyse business needs to learning outcomes</li> <li>• Leverage best practice methodologies</li> <li>• Engage learners with leading edge solutions</li> <li>• By selecting the best media and supplier for each project</li> <li>• By rigorous evaluation at Kirkpatrick Level 1 and optional evaluation at Level 3</li> </ul>
<b>Reduce Costs</b>	<ul style="list-style-type: none"> <li>• Change training fixed costs to variable costs</li> <li>• Economies of scale by consolidating purchasing of all training across all our clients</li> <li>• Vendor management</li> <li>• By providing disciplined administration and best practice process</li> </ul>
<b>Improves Governance and Management</b>	<ul style="list-style-type: none"> <li>• Establish defined service level agreements</li> <li>• Leverage specialised business management systems</li> <li>• Capture, share and update process knowledge</li> <li>• Implement ongoing improvement processes</li> </ul>
<b>Increases Responsiveness</b>	<ul style="list-style-type: none"> <li>• By offering the right learning at the right time in the best location</li> <li>• Develop and deliver training more quickly</li> <li>• Greater flexibility and responsiveness to meet business demands</li> <li>• Accelerate rate of innovation</li> <li>• Benefit from focused research &amp; development and lessons learned across companies</li> </ul>

### Key Benefits of Training Outsourcing

partnerships. Fundamentally, they are looking at the most effective way to strategically source the most advanced training products, services and talent at the best possible price and how to ensure the learning function adds increasing value to bottom line organisational goals.

With increasing pressure on training budgets and senior management emphasis on improved ROI of training infrastructure, strategic outsourcing proves to be the answer for many organisations. Specialist providers are now offering a managed service approach. In the learning field, this arrangement has come to be known as a Training Outsourcing.

In forming a collaborative partnership with a Training Outsourcing provider, internal learning teams are liberated from simple, highly repetitive but essential training tasks to take a more strategic role.

### THE NEW WORLD

This is the era of managed services across all business functions. The market opportunity for outsourcing continues to grow rapidly as organisations look for creative ways to manage operational costs, while at the same time embracing technology that will help maintain competitive differentiation in their own markets.

### THE EMERGENCE OF TRAINING OUTSOURCING

Comprehensive Training Outsourcing (Learning BPO) is now a \$1.1 billion industry, and out-tasking is almost a \$45 billion industry.

Training Outsourcing is now a strategic part of the transformation of any organisation's learning and development function.

Savvy business leaders no longer consider it necessary to house all components of a learning program in-house. IDC believes that many organisations will shift their buying patterns from discrete outsourcing of individual learning and development processes toward more strategic ways of leveraging more from partnerships with specialist providers.

The global Learning BPO business is growing 15-20% annually. Why the significant growth?

The top reasons quoted by business leaders include:

1. A desire to cut costs and create a variable cost structure
2. To focus or refocus on the organisation's core business
3. To access required skills as required
4. Increase effectiveness of learning

### OUT-TASKING VS. TRAINING OUTSOURCING

Research shows that over 90% of learning functions outsource to third parties including the use of individual contractors. Sourcing in this way focuses on short-term delivery of specific projects and is generally considered to be "out-tasking" rather than provision of a managed service.

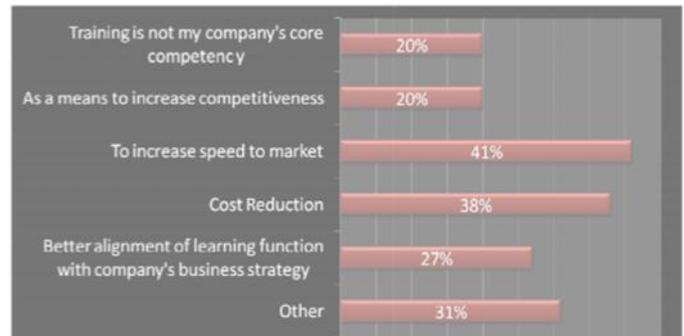
The major distinction with a managed service is the ongoing nature of the service provision by a specialist provider. Training Outsourcing providers become a "partner" and they share the responsibility for learning processes in an organisation.

**"The primary reason is cost reduction, however over time more companies will leverage third-party vendors access to capabilities that will help organisations transform their internal L&D function"**

American Society of  
Training and Development

### TOP REASONS FOR PURSUING TRAINING OUTSOURCING

SOURCE: IDC



By structuring a relationship with a company whose core competency is learning, the learning department of an organisation can often better provide "more for less", fulfilling its mission to provide competitive advantage and doing so at lower costs.

### Why are Organisations Choosing Training Outsourcing?

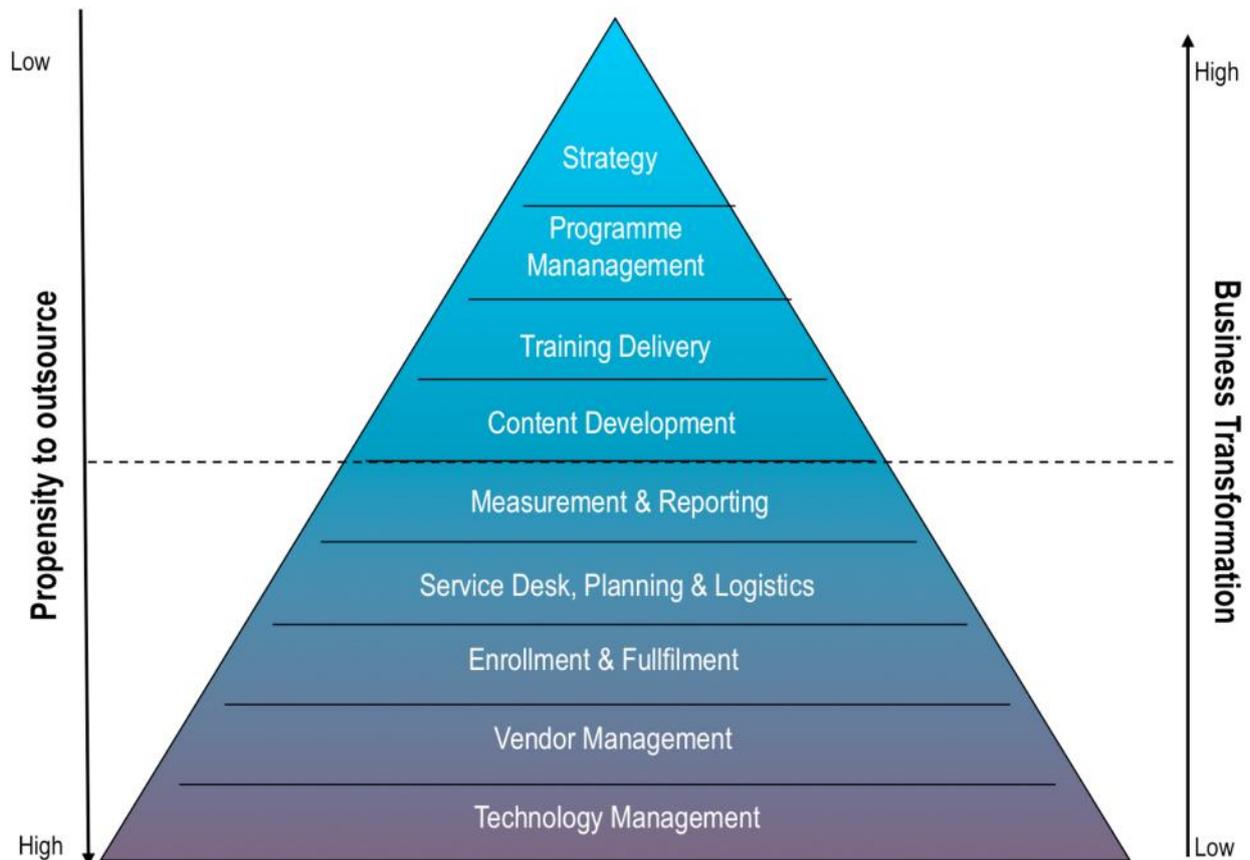
Organisations are experiencing the following benefits when they partner with a Training Outsourcing provider:

1. Increased Business Effectiveness
2. Cost Reduction
3. Improved Governance and Management
4. Increased Responsiveness

### How do you Begin to Work with a Training Outsourcing Provider?

As the Learning BPO market evolves and matures, we are beginning to see a common theme in the way that organisations begin to engage with a Training Outsourcing provider. The global trend that is emerging is partnerships that develop over time with a focus on "progressive outsourcing". This is where organisations gradually increase the number and type of learning activities that they outsource.

There are several different ways and levels that a client can engage with a Training Outsourcing provider.



Some examples include:

- Streamlining the administration of training such as booking participants onto training courses; organising venues; organising participant materials and sending out course instructions.
- Provide expert and vendor neutral advisory service on the best learning programs and facilitators to meet business specific requirements and budget constraints. Vendor independent providers avoid any conflict of interest – as the only incentive is to find the best solution for the clients' needs, from the best source.
- Provide online, automated Kirkpatrick Level 1 and 3 evaluations for all training activities across the enterprise regardless of who delivered the training, which location it was held in or which business unit participated.
- Managing the multitude of training providers used in the organisation, ensuring all participant evaluations are received back after courses and provide neutral advice for program improvements/changes based on business imperatives.
- More strategic relationships involve the needs analysis of business specific needs/problems, the evaluation of training, the benchmarking of multiple training suppliers and the provision of comprehensive reports to measure, analyse and report on the alignment of learning initiatives which support strategic business objectives.
- Forming a partnership with a Training Outsourcing provider is different from a tactical supplier/buyer relationship. In this partnership, both parties are mutually responsible for success. With clearly defined business requirements, well articulated KPIs and rewards for overachievement, both parties can be rewarded from mutual success.

## MISCONCEPTIONS ABOUT TRAINING

### OUTSOURCING

Training Outsourcing has been a highly successful business solution strategy for several years now. Many organisations have adopted Training Outsourcing as a cornerstone of their strategic objectives. It is considered as a means of focusing their time, talent, and capital on their core competencies. Yet organisations that want to realise the transformational benefits that a strategic partnership offer, may need to stretch their current comfort zones.

There are a number of misinterpretations and misconceptions about Training Outsourcing. Some of these include:

1. "If we outsource, I will lose my job." The goal is not to eliminate internal learning teams. It shifts the focus on value adding by enabling internal learning teams to take a more strategic role.
2. Deployment and natural turnover. Senior learning executives often gain a more tangible and visible impact on the business, and they are more likely to be appreciated by senior management for their strategic contributions.
3. "Outsourcing means we lose control." This is frequently heard but is a misguided concept. Organisations actually gain more control over the productivity of the learning function through outsourcing because they hold the Training Outsourcing Provider accountable through well-defined KPIs and service-level agreements. The provider should bring a customer service focus to the relationship that an internal function can rarely achieve.
4. "We can't outsource until we have all of our internal processes sorted out." It is well documented that improving internal learning processes rapidly and cost-effectively is one of the best business reasons for adopting a learning outsourcing strategy. Trainingoutsourcing.com states "Anyone who insists on this clean-up as a disposition will never outsource".

5. "A Training Outsourcing provider could never understand our business or meet the organisation's learning requirements." By bringing deep industry experience, as well as global subject-matter experience and design and development resources, an organisation can quickly gain additional knowledge by sharing new approaches, tools and techniques and accessing the global talent pool provided by Training Outsourcing providers.

### CONCLUSION / SUMMARY

The outsourcing of learning is a quickly evolving trend. Although tactical outsourcing has been done for many years, there is a significant global shift towards strategic partnerships with vendor-neutral Training Outsourcing providers.

This distinctive approach can lead to many benefits. As learning is the primary competency of a Training Outsourcing provider, the skills, business relationships and networks that they bring to deliver on this new model are different to those of traditional training companies or larger HR outsourcing companies.

The business case for learning outsourcing is compelling. It promises significant savings, reduced capital expenditures, higher quality, better management, and increased control. Most importantly it enables learning teams to engage in the crucial job of reducing skills gap in their organisation and planning to develop future talent.

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