



# **TRANSFORM TRAINING**

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**ACCELERATING IMPACT THROUGH  
ALTERNATIVE SOURCING MODELS**

**A PRIMER ON “MANAGED TRAINING SERVICES”**

## ABOUT NIIT

NIIT's Enterprise Learning Solutions Company delivers innovative strategies that help clients accelerate business impact. Our clients count on our **Managed Training Services** specifically in the areas of advisory and learning services, technology tools, and custom content to optimize their learning organizations and to improve time to performance for employees, customers and partners.

We use cutting-edge instructional design and our Critical Mistake Analysis method to deliver award-winning solutions, technology and services. Together with our subsidiaries, Cognitive Arts and Element K, our Global Talent Development programs help clients achieve real-world skills to better compete in today's market.

Established in 1981, NIIT is known globally as the number one choice for strategic learning solutions. We proudly partner with the world's leading education, technology, publishing and Fortune 500 companies. NIIT has won over 40 awards, including 12 Brandon Hall awards.

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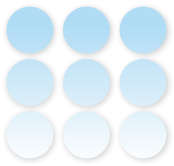
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## INTRODUCTION

Chief Learning Officers (CLOs) are driven to optimize their operations so they can provide their organizations with the maximum business impact for the least cost. However, based on our conversations with CLOs, many feel the solutions they provide and the operations they employ to support those solutions are not fully optimized. In fact, many CLOs wish they could not only improve but also accelerate their path to optimization.



How can CLOs accelerate their path to optimization?

One way is to leverage strategic partners who can bring their expertise, capabilities, and methodologies they may otherwise lack. However, the degree to which a service provider can help depends heavily on the form of sourcing relationship the CLO chooses to employ.

Why can't CLOs rapidly optimize their operations? It's not that they are not motivated ... there are significant hurdles in their way, including:

- Each year, training & development functions add to the breadth of learning solutions they support. The breadth increases their ability to address business needs. However, nothing goes away. So, training & development functions must support increasing complexity.
- Just keeping up with the day-to-day demands is a significant challenge, particularly as CLOs have sought to eliminate overheads. They do not have slack capacity in their system to staff efforts to optimize.
- The field of learning is itself increasingly complex, with a growing variety of specialties. Only the largest learning organizations have the expertise on staff to efficiently guide optimization efforts.
- Finally, even if all the above were not true, it is not blazingly obvious what a CLO who wishes to optimize should do. Where to start? How to proceed?



When CLOs work with a service provider, they can choose from a variety of sourcing relationships, ranging from staff augmentation through total Learning Business Process Outsourcing. We have recently conducted a research study with CLOs to investigate their reactions to a kind of sourcing relationship called Managed Training Services. “Managed Training Services” is a sourcing relationship in which a CLO outsources a process to a strategic partner (e.g., curriculum development or training administration). In many cases these relationships can enable CLOs to increase service levels and quality while reducing costs. Surprisingly, we found one of the key reasons CLOs were interested in Managed Training Services is it can help accelerate their path to optimization by increasing their business alignment, giving them tighter management control over their operations and giving them increased scalability.

In this white paper, we review some of the current pressures on CLOs to optimize, describe the constraints driving CLOs to choose one sourcing relationship or another, detail out what a **Managed Training Services** relationship is, and discuss the typical path organizations follow when they explore **Managed Training Services**.

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## THE CLO'S DRIVE TO OPTIMIZE

### *Recent Conversations with CLOs and Learning Leaders*

In our research with CLOs and our routine conversations with learning leaders over the past few months, here are some of the questions we heard:

- *"We are a group focused on sales through partners in our several business units. I run a centralized shared services and curriculum organization. How can I drive the profitability of the organization's partners by optimizing the shared services I provide?"*
- *"We are a technology company and, like others, we are systematically expanding our product offering through a constant stream of acquisitions. How do I ensure my extended field force (employees and partners) master the sales and technical skills required to support the ever-larger portfolio? How can I do this worldwide without growing my staff?"*
- *"We are a content development service for the claims group inside an insurance company. I want to upgrade instructional quality and increase use of e-learning to improve just-in-time delivery while reducing both development and delivery costs. How do I improve claims quality through learning solutions while reducing the total 'cost of ownership' of learning to the organization?"*

What do these questions have in common?

In each case, an organization sees the opportunity to get "more for less." And in each case, that vision is being driven by a learning leader who sees the current environment as a chance to make fundamental changes in the services they offer and how they provide them.

In the bigger picture, Chief Information Officers (CIOs), CLOs, and many of the other "C's" which have sprung up over time know that to earn their seat at the table they need to be good business partners for their organizations. What CLOs need to do to win at this game is not magic. First they need to understand their business deeply. Then they must use that

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knowledge to identify how their function can provide stronger business alignment and deliver more impactful solutions while increasing efficiencies. In short, they need to use their business know-how to understand how to optimize their services.

### *The Levers for Optimization*

It is easy to expect learning leaders to know how and when to optimize. However, it can be complicated to actually put that directive into practice.



In the current economic client, there are obviously substantial stresses on the learning organization. We see this as a tremendous opportunity for learning leaders to be good business partners by accelerating how quickly they optimize.

At NIIT, we optimize by following two very general principles:

- We seek a clear and direct “line of sight” from the specific business goals we are pursuing down to the specific activities we pursue.
- When there are many options (e.g., many goals to pursue, many barriers to success, many possible solutions, etc.), we ruthlessly prioritize. We identify the 20% that accounts for 80% of the impact and then focus hard on addressing that subset.

We see the opportunity to optimize when we cannot clearly identify a line of sight or when we see long lists of actions to take. Where those opportunities are significant is where we take action. But what does “taking action” mean? It can mean:

- Introducing dramatic new solutions, as when we pioneered the use of interactive mentored business simulations over a decade ago. Such new solutions can provide a game-changing level of impact.
- Taking more mundane incremental steps - such as integrating our Customer Relationship Management (CRM) system for training administration with the Learning Management System (LMS) through Web services to reduce data entry effort and errors. Sometimes such mundane steps can have dramatic impact, yet be overlooked because they lack “sexiness.”
- Sometimes, simply ceasing activities that do not align with important goals - such as eliminating low-value added modules from a course or low value-added use of live delivery from a blended learning plan.



In general, we find CLOs have seven major levers they can pull when making business-oriented optimizations:

1. What business goals do you choose to pursue?
2. What target audiences do you choose to serve?
3. What performance objectives do you focus on for each target audience?
4. What learning solutions do you provide to improve those performance objectives?
5. What resources and infrastructure do you employ to scope, design, develop and maintain those learning solutions?
6. What methodologies and design approaches do you employ to direct the work?
7. What governance system do you use to make performance transparent and drive continual improvement?

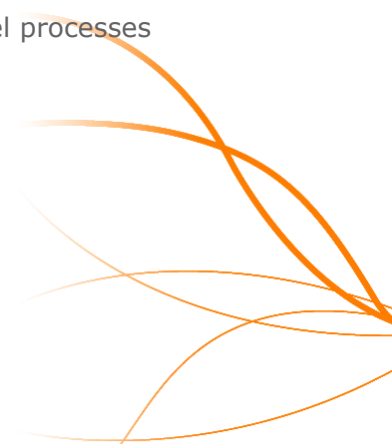
Now, this is quite a number of areas to consider for optimization, particularly when you consider each of these areas apply across the range of learning processes you support - from business planning for new programs through program evaluation.

#### *Why the Wheels Can Get Stuck in the Mud*

Unfortunately, many CLOs find their ability to drive optimization is limited. Some wind up feeling “We seem to be so busy keeping up with the day-to-day work, we simply do not find the time to step back and optimize!”

We see five contributing factors that can limit the CLOs ability to optimize:

1. **Speed of Change:** Yes, the rate of business change is increasing. Even more so this year. Organizations are more frequently rolling out new offerings, reorganizing functions and shifting partner relationships. It is hard enough for a training and development organization to simply keep up with change much less optimize!
2. **Process Optimization:** CLOs face an ever-growing set of processes to optimize as more modalities are employed for learning. In the process taxonomy we have created to organize our know-how, we currently count nine first level processes (e.g., Learning Strategy, Delivery, Training Administration, etc.) and 53 second level processes (e.g., Instructor Selection, Program Marketing, etc.).



**3. Department or Organization Size:** Most training and development organizations are relatively small scale and so cannot provide world-class technical capabilities. Without these, optimization is difficult. Technical expertise is needed to efficiently identify what is important to optimize, determine how to optimized, and then actually implement the optimizations without unnecessary experimentation.



So, where is the good news? Simply that, such an environment would naturally be rich with opportunities. It seems clear that there must be significant gains to get disproportionate returns by focusing attention on the right things.

- 4. Governance Road Map:** Some training and development organizations have limited governance systems. They can struggle to understand specifically how they allocate their investments, how they perform on those investments compared to benchmarks and how to organize their “continual improvement process.” Without this visibility, CLOs can struggle to systematically identify a long list of potential optimizations, winnow it down a short list of chartered ones and drive implementation.
- 5. Information Overload:** At the same time, there is an increasing amount of information in the marketplace about a new “best practice” for this or that element of the learning function. The wealth of such ideas can make a learning leader crazy ... which of these should I attend to?



## ALTERNATIVE RELATIONSHIP MODELS FOR LEVERAGING STRATEGIC PARTNERS

### *Service providers*

Across industries, strategic partners tend to have more mature and focused processes than their clients. In the IT space, you can expect an Accenture or Wipro to be more mature in their approach to staffing IT projects or handling scope extensions or tracking bugs than a typical corporate IT shop. After all, that's a large part of what drives a corporation to seek the help of a strategic partner.

As CLOs and other learning leaders see their ability to accelerate optimization is limited, our research indicates many are beginning to reconsider their sourcing relationships. They are revisiting fundamental questions of "What should I keep in-house?" and "What kind of relationship should I form with service providers?"

"What kind of relationship should I form with service providers?"

We see five primary sourcing models commonly used in the industry (Figure 1).



Figure 1: Common Sourcing Models

There is no one "right" model. Instead, each has its uses. Below we briefly define when each model would fit a CLO's needs.

### *Staff Augmentation*

Staff Augmentation essentially means "renting" qualified staff from a provider to supplement your internal team. Under this model, you pay for staff by the hour. Your provider is responsible for supplying appropriately qualified staff. You are responsible for defining the work the staff does, determining what tools and methodologies they use and reviewing their deliverables to ensure quality.

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Staff augmentation is appropriate when you have highly refined processes, are willing to take sole ownership over quality, and have a short-term need for variable capacity. For instance, if you run LMS administration internally but have a team member going out on maternity/paternity leave, you might refill through staff augmentation.

This is not a very common type of relationship. Only infrequently do we see the conditions being in place for such a relationship to be in our client's interests.

### *Project Out-Tasking*

Project Out-Tasking means hiring a strategic partner to conduct a specific project. Typically, the project is performed for a fixed-fee as work for hire. Under this arrangement, responsibility shifts to the strategic partner to manage the project, follow an agreed-upon methodology and take responsible for the quality of results.

Project Out-Tasking is appropriate when you have short-term visibility for work to be done, the work is specialized and you require capabilities beyond those which are core to your team. For example, if your organization is about to undergo a major system rollout and you need short-term capacity to support it, you may contract for it on a project basis. This is a very common type of relationship.

### *Preferred Provider*

Preferred Provider is an extension of project out-tasking in which an organization works with a short, approved list of strategic partners. The goal here is to ensure consistency, achieve lower rates, and give the services provider some security. Preferred Provider relationships have no minimum commitment.

Preferred Provider relationships are appropriate when you face an ongoing stream of projects and wish to get some benefits of scale (e.g., reductions in rates) but do not have sufficient visibility to make long-term commitments. We frequently see such relationships in the content development arena.

Many Preferred Provider relationships involve some degree of knowledge transfer, in which the services provider transfers know-how to the client about methodologies or solution frameworks. Our experience has been that, in practice, such knowledge transfer is limited. Without a longer term commitment, neither the client team nor the strategic partner is deeply motivated to do the heavy lifting to ensure the expertise is picked up and adopted.

### *Managed Training Services*

Managed Training Services is a form of outsourcing relationship which focuses on a specific process (e.g., curriculum development or training administration). In a Managed Training Services relationship, the client looks to the strategic partner to serve as the core engine for one or more processes. Beyond taking responsibility for the success of a given project, the service provider takes responsibility for the overall health of a process.

For example, in our Managed Training Services relationships at NIIT, we implement a “Business Management System” (BMS) enabling our partners and us to run the process as a business. Our BMS allows us to align the process with what matters to the business, take responsibility for the performance of the process, provide management transparency, bring our clients new ideas relevant to their critical needs and accelerate advancement through focused, continual improvement initiatives.

In a Managed Training Services relationship, the client enters into a multi-year relationship with minimum commitments. This commitment gives the services provider sufficient visibility to similarly invest in the relationship. In turn, the services provider offers lower rates, supports flex capacity (enabling clients to move from fixed costs to variable) and supplies a governance system (such as NIIT’s Business Management System).

NIIT is currently supporting Managed Training Services relationships for corporate clients in five process areas (see Figure NNN):

1. Curriculum Development
2. Training Administration
3. Proprietary Delivery
4. Generic Content Delivery
5. Learning Technology



The figure below shows these processes, along with the sub-processes we support.

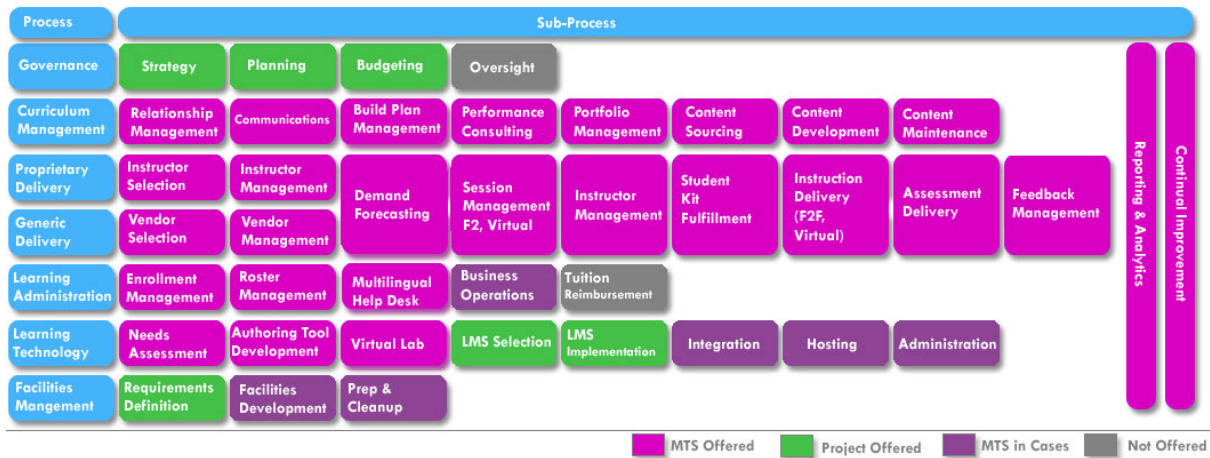


Figure 2: Managed Training Services Processes Which NIIT/CognitiveArts Currently Supports

Typically, we find we can reduce costs by 20% in the first year with ongoing reductions of 5-10% per year while simultaneously improving business impact.

Managed Training Services relationships are appropriate when you have the scale comfortably make a minimum commitment, have the willingness to do so and when you are interested in making a radical jump in your ability to perform a process.

Managed Training Services relationships are relatively common for “transactional” processes such as training administration. Our research indicates they are also growing in popularity with CLOs wishing to move faster to increase alignment, optimize their processes and reduce costs.

### *Learning Business Process Outsourcing*

Learning Business Process Outsourcing (LBPO) is a comprehensive outsourcing relationship. Under this arrangement, the client asks a partner to take responsibility for substantially all training processes.

LBPO deals are infrequent, although they receive a lot of industry attention when they do occur.

Many organizations can be reluctant to engage in total LBPO because it entails significant risk, and can be arduous to set up and dismantle.

## CHOOSING THE RIGHT MODEL

Given these options, how can you choose the right model? In some cases, the nature of the work itself will guide you to a choice. However, for CLOs who seek to accelerate their rate of improvement, the question can come down to “what will get me down the road the fastest?” These CLOs face a trade-off between commitment and speed.

### *“Vendor” relationships do not drive significant improvement*

We consolidate the relatively shallow relationships of staff augmentation and project-based relationships into what we call “vendor relationships.” In contrast, we consolidate the deeper relationships of Managed Training Services and LBPO into “partnership relationships.”

In vendor relationships, the vendor can help the CLO move one of their seven levers for optimization: “what resources do I employ?”

In vendor relationships, service providers seldom have the opportunity to perform significant knowledge transfer or build client capabilities. Moreover, they have limited incentive to do so.

### *“Partnership” relationships can drive significant improvement*

A vendor is motivated to “complete the activity”. In contrast, a partner can “optimize the system.”

Partnership relationships give both the CLO’s team and the strategic partner the security and the incentive to drive optimization. Hence, CLOs who wish to accelerate optimization consider deeper relationships.

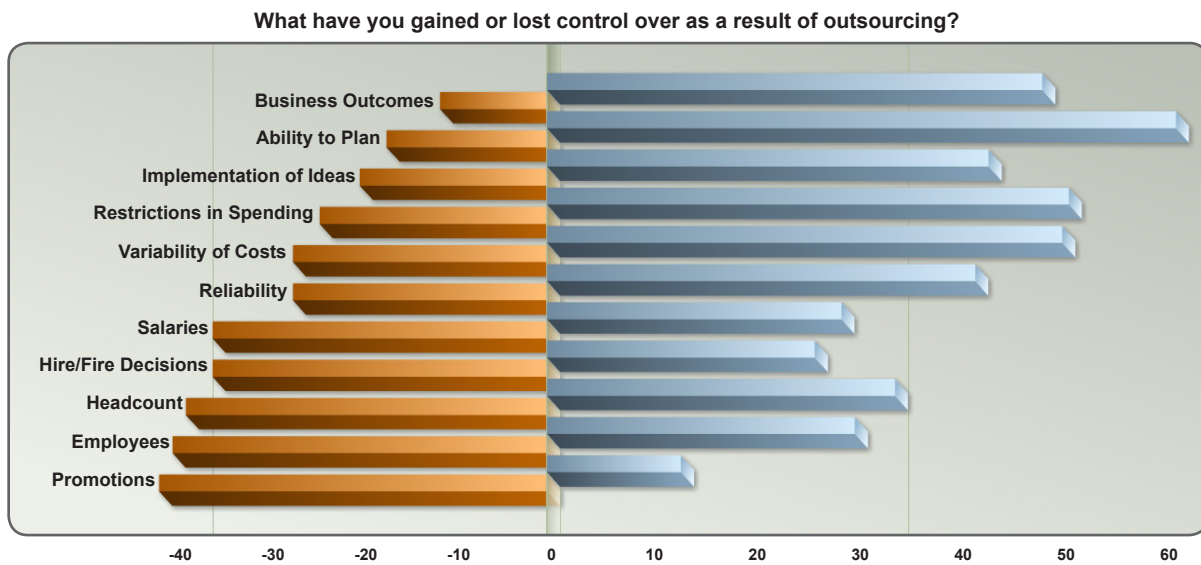
### *“Partnership” relationships can increase control over what matters*

A common outsourcing fear for executives across industries is he will “lose control” if he does not have his own staff completing an activity. The typical result is perhaps counterintuitive. In general, outsourcing provides executives with greater visibility and more control over the things that matter most.

Yes, when you outsource, you do lose control of many inputs. You do not select the staff and decide who to employ and how to organize the team.



However, you gain increased control over outputs. For example, in the training and development space, few internal groups provide clear service level agreements, systematically track business outcomes, or offer significant flex capacity. In contrast, such capabilities are common with the kinds of partnership relationships described above.



*Partnership does imply commitment, which represents an opportunity cost*

With partnership arrangements, it can be time-consuming to create relationships and then to unwind relationships when they no longer make business sense. One reason why many organizations are reluctant to engage in total LBPO is it can be arduous to dismantle if a client wants to back out of a relationship.

Vendor relationships do not involve such commitment, so they provide CLOs with options and, in general, options are valuable.

However, what we argue is - in the learning space - those options generally do not end up having significant value. Without the deeper partnership-based relationships, CLOs place what can be an unsupportable demand on their own teams to drive their increasingly complex operations.

*Making the trade-off: is Managed Training Services a sweet spot?*

In short, vendor relationships increase unit costs and limit optimization, but partnership relationships require commitment.

What is a CLO to do? As mentioned above, there is no one answer, but our research indicates many CLOs are now placing a premium on accelerating optimization. They buy into the argument that their team should focus on its core competencies and they believe strategic partners can provide better technical competencies and processes while using more cost-effective resources.

However, in our research, most CLOs remain timid about comprehensive LBPO. So, we found increased interest in the “middle ground” approach of:

- a) Identifying which process(es) optimization will have the most impact; and
- b) Pursuing a Managed Training Services relationship for them.



## LOOKING FORWARD: ENGAGING IN AN MANAGED TRAINING SERVICES RELATIONSHIP

What does it take to investigate and enter into a Managed Training Services relationship?

Figure 3 provides an overview of the engagement model for Managed Training Services relationships we employ at NIIT.

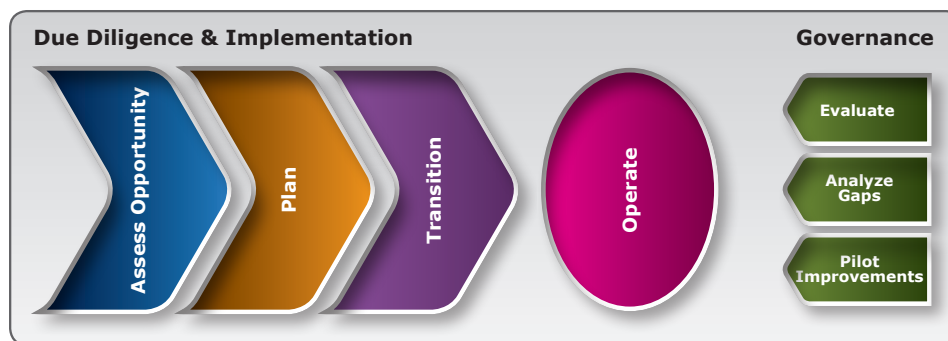


Figure 3: NIIT Managed Training Services Engagement Model

We begin by assessing the opportunity – including scoping the need and structuring the solution - to ensure it makes sense for both parties. We then proceed to plan implementation, which can include significant effort in due diligence, particularly when re-badging is involved. Typically, our planning provides a multi-year roadmap for implementation, as well as detailed strategies to avoid risks and mitigate those we cannot simply avoid. Next, we make a transition, usually staged, which includes some form of user-acceptance testing for each process.

As we enter into operations, we employ our Business Management System to evaluate results, analyze gaps and their root causes, and charter improvements. In some cases, improvements are risky enough to warrant conducting pilot Improvement Initiatives.

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Dr. Chip Cleary leads the Strategy and Consulting Services practice for the Knowledge Solutions Business of NIIT. He works with Fortune 500 companies, technology companies, and other organizations to develop strategies to maximize the impact they realize from learning. His clients include Mercury Interactive, Amway, Allstate, BEA Systems, and others.

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