



**Human Resources Outsourcing (HRO)
Market Update: September 2008 – Preview Deck**

**Topic: Learning Services Outsourcing (LSO) –
Accelerating the Learning Curve**

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Background of the research

Learning is unique among HR functions: in many organizations, learning, or training, is decentralized – managed and funded by business units rather than the HR department. In addition, organizational learning spend may cover not just employee training but, often, training for vendors, customers, and channel partners. With such complexity ingrained in the learning function, along with an increased focus on talent management, buyers are looking to better understand the different options to support their learning needs. Learning Services Outsourcing (LSO) has emerged as a strategic choice with a strong value proposition.

In this research study, we analyze the LSO market across various dimensions:

- Market overview and key business drivers
- Buyer adoption
- Transaction characteristics
- Supplier landscape

The scope of analysis includes

- Deals where either a “selective” or “comprehensive” outsourcing model have been deployed
- Deals in which more than 3,000 learners are covered
- Suppliers that offer learning as a stand-alone outsourcing service

Overview and abbreviated summary of key messages

(page 1 of 2)



This report examines the learning services outsourcing market and provides insights, analyses and implications for stakeholders along four key dimensions: market state and key business drivers, buyer adoption, transaction characteristics, and supplier landscape.

Some of the findings in this report, among others, are:

Market overview and key business drivers

- There are three sourcing models within the learning services market – out-tasking, selective outsourcing, and comprehensive outsourcing
- While cost reduction remains a key business driver, the value proposition of LSO is moving beyond cost to achieving business outcomes and strategic impact

Buyer adoption

- To date, over two-thirds of LSO deals have originated in North America. However, the demand from Europe and Asia Pacific-headquartered companies is rising
- A majority of LSO transactions cover multiple countries
- The larger employees (>15K employees) segment dominates the LSO market

Overview and abbreviated summary of key messages

(page 2 of 2)



Transaction characteristics

- The average contract period of stand-alone LSO deals is considerably lower than multi-process HRO deals that include learning
- Judgment-intensive learning processes are outsourced more frequently in stand-alone LSO deals compared to multi-process HRO deals
- In a majority of LSO deals, the technology component is also outsourced

Supplier landscape

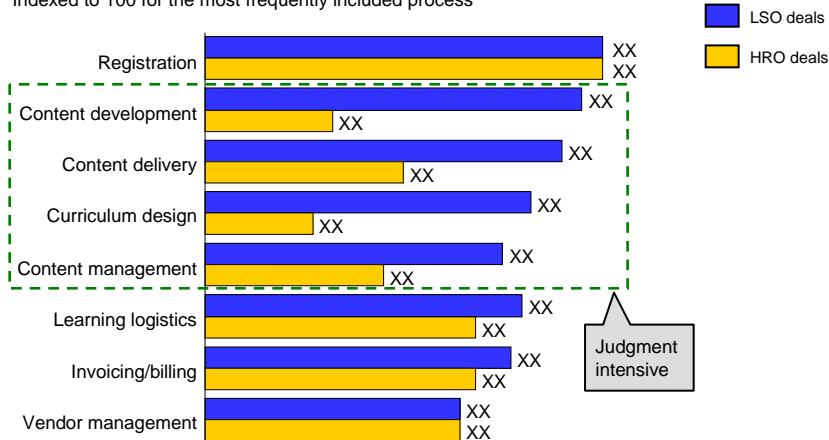
- LSO suppliers can be broadly segmented into two categories – HRO suppliers that offer learning (stand-alone or as part of HRO) and specialized LSO suppliers
- Most suppliers can deliver services in common European languages; a lesser number have capabilities in Asian languages

This study offers six distinct chapters providing a deep dive into key aspects of the learning outsourcing market; below are four charts to illustrate the depth of the report

ILLUSTRATIVE

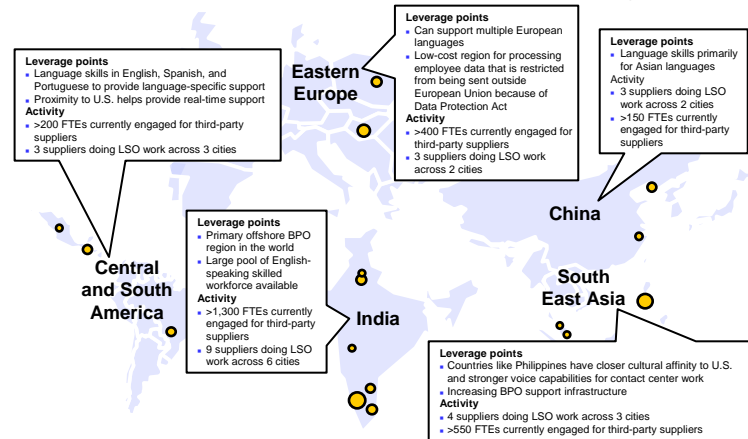
Frequency of inclusion of learning processes

Inclusion of learning processes within stand-alone LSO and multi-process HRO deals
Indexed to 100 for the most frequently included process



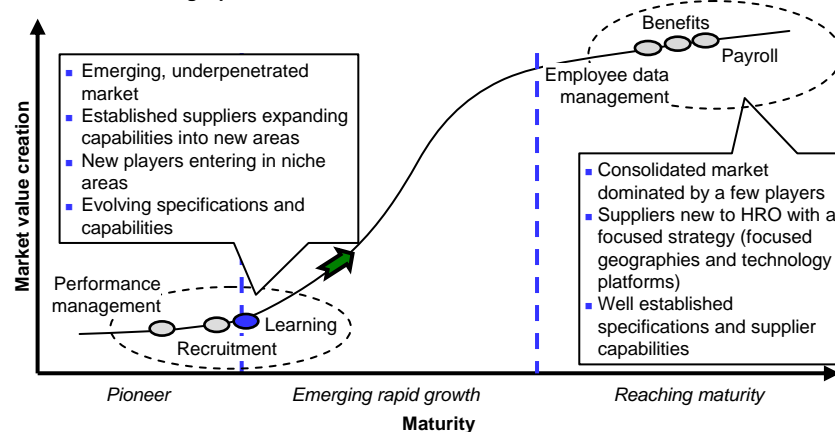
Offshoring within LSO

Key LSO offshore locations for suppliers; number of FTEs in each region



Single process HRO market maturity

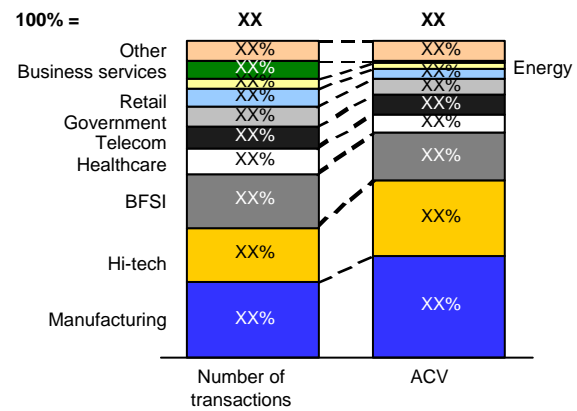
Evolution in the single process HRO market



Industry adoption within LSO

Adoption of learning services outsourcing by industry

Number of transactions, ACV in US\$ million



Source: Everest Research Institute (2008)

The report on learning services outsourcing has three buyer case studies in addition to five brief case examples

ILLUSTRATIVE

Case example #1: Auto manufacturer achieves significant cost savings through LSO



Client situation

- The auto manufacturer was facing a shortfall in hi-tech equipment operators
- In addition, the company wanted to use performance-based training and documentation to ensure that its hi-tech equipment operators would be ready to use new equipment and processes to successfully launch new vehicles

Solution

- XYZ inc was selected as the learning outsourcing partner
- XYZ used a blended training model that included classroom training, e-learning, and structured on-the-job coaching
- The services were delivered at the company's manufacturing locations throughout the United States

Scope of work

- Process scope: Curriculum design, content development, content management, content delivery, registration, invoicing/billing, learning logistics, and vendor management
- Original deal was signed in 1990
- Contract size: Average US\$20 million annually for the last three years
- Countries covered: United States, Canada, and Mexico
- Number of learners covered: 500 to 1,000 per launching manufacturing plant

Results achieved

- Achieved ongoing annual savings of US\$3.2 million
- Created US\$750,000 in savings for one plant's vehicle launch by reducing equipment training time
- Reduced the course development time by 40 percent, equaling US\$4 million/year

Source: Everest Research Institute (2008)

Additional HRO research recommendations



The recommended documents either provide additional details on the topic or complementary content which may be of interest

1. **Learning Services Outsourcing (LSO) – Supplier Profile Compendium** (ERI-2008-3-R-0282); 2008. The compendium provides an accurate, comprehensive, fact-based snapshots of 11 suppliers in the LSO market. Further, it provides key findings of the research on the LSO market and identifies the key implications for stakeholders
2. **HRO Benchmarks – Scope, Pricing, and Quality** (ERI-2007-3-R-0167); 2007. Based on in-depth interviews and data collected from senior governance teams of HRO buyers, this report identifies the definitions, metrics, and measures overall and within specific HRO process areas, including ‘Learning’, that facilitate optimal realization of the desired outcomes of HRO
3. **Global HRO Supplier Landscape** (ERI-2007-3-R-0221); 2007. This research analyzes global 2007 HRO supplier landscape, investigates the emerging supplier trends, and assesses supplier delivery capability across scale, scope, technology, and delivery footprint. The report also profiles key HRO suppliers
4. **Gathering Momentum: Mid-Market HRO** (ERI-2008-3-R-0266); 2008. This research traces the growth of mid-market segment, and examines the factors that make it attractive for suppliers. Further, it compares the transaction characteristics of the 3K-15K employees segment and the >15K employees segment, and analyzes the changing market dynamics in the mid-market. It also identifies the key implications of the research findings for buyers and suppliers in the mid-market

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