

WHITE PAPER

Extending the Enterprise: The Value of Extended Enterprise Learning

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IDC OPINION

Over the years, companies have invested heavily in employee training and education programs to effectively drive employee performance toward business goals such as profitability and customer satisfaction. Time and again, organizations in industries as diverse as professional services, retail, information technology, and finance have found that a better-informed and better-trained employee can positively impact the enterprise's bottom line. At the same time, some companies are looking at extending this learning experience beyond the company's four walls to encompass the "extended enterprise," which comprises business partners in all parts of the value chain. IDC believes:

- Extending enterprise learning can both increase the bottom line and raise end-customer satisfaction.
- An educated value chain is better prepared to support a company in developing, building, and delivering a product and in offering and supporting the product to the end customer.
- Extended enterprise learning (EEL) is at a very early stage of adoption, creating a significant competitive opportunity for organizations that can leverage a well-trained extended enterprise.

SITUATION OVERVIEW

For many years, organizations have leveraged learning strategies focused within the enterprise to help establish a competitive edge. Organizations have implemented internal training strategies to "speed time to competence" or "reduce time to benefit." These organizational learning strategies are typically in response to drivers such as:

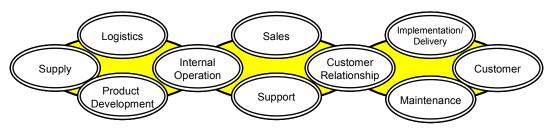
- Strategic change

Although most organizations have focused on training their employees, IDC has observed that significant benefits can also be achieved by extending the focus of these learning strategies to include the broader extended enterprise.

The extended enterprise is the entire collection of relationships that support the creation and delivery of a product or service to a customer. It can include several "cycles," such as product development, supply, sales, implementation, maintenance, and support. Each of these elements represents a link in the upstream and downstream "value chain" of an enterprise's product or service. When internal operations/processes (e.g., HR, finance, as well as shipping and receiving) and the customer are added to the value chain, the value chain is completed (see Figure 1).

FIGURE 1

Extended Enterprise Value Chain



Source: IDC, 2005

Complicating the unfettered completion of these cycles is the wide variety of business relationships necessary to address the specific needs and opportunities of the customer life cycle. With a visual representation of the links critical to customer value, an enterprise may be able to understand the interdependence of those business relationships and its own dependence on the extended enterprise businesses to successfully deliver value to its customers.

Some organizations have identified that the performance and optimization of the extended enterprise — upstream or downstream — are critical to their business success. The obvious methods of improving the extended enterprise include technological integration, business process change, or even enterprise mergers. An additional opportunity for many companies is to actively set out to increase the skill and competency of the valuable links in the chain. Some companies believe that they can ensure a higher degree of customer satisfaction, reduce the cost of product development and delivery, and create a competitive advantage by supporting the development of the employees of their value chain partners. IDC has observed this desire in companies as diverse as commercial building contractors, communication equipment manufacturers, and automobile parts manufacturers. Companies that reach these conclusions are developing EEL strategies.

EEL targets any population not employed by the company, which may include sales partners, alliance members, customers, and even suppliers.

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The Logic of EEL

The impact of EEL can be seen at many points of organizational value creation: development, delivery, sales, and service. Early in a product's development, supply chain partners that are aligned with product development and market demands are more likely to produce timely enhancements and expand offerings or alternatives.

During the sales cycle, an educated reseller or retail network is knowledgeable, prepared, and more likely excited about a vendor's offering, resulting in increased awareness and "mindshare" for that specific product or offering and increased customer engagement.

End buyers or even consumers who are educated on a product's capability will shop efficiently, ask the right questions, and understand the value of related products. They will also develop a brand affinity for the company that supports their "development" and understanding of complex business issues.

After purchase, educated end buyers or end users are better able to use vendors' products or services, resulting in higher satisfaction levels, lower vendor support costs, and, ultimately, increased business referrals and repeat purchases.

Even organizations that rely on third parties to support their customers depend on well-informed partners to efficiently handle end-user questions/concerns, which also increases customer satisfaction and affinity.

FUTURE OUTLOOK

Building the Business Case for Developing an EEL Initiative

Recent IDC research suggests the companies that commence an EEL initiative recognize the value of an educated and fully trained extended enterprise. Although the business case that justified each organization's investment in EEL was different in detail and target, the companies consistently focused on one of two themes: improved customer satisfaction and cost reduction.

Companies IDC has studied have undertaken long, sometimes very long, evaluations of their businesses and relationships with their value chain partners to answer three key questions:

- ☐ Can the goal be achieved by providing knowledge, information, or training to some part of the extended enterprise?

Regardless of the specifics of the evaluation, companies that could point to a link between their business objectives and their partners' performance can consistently benefit from developing an EEL initiative. Those benefits primarily revolved around improved customer satisfaction resulting from improved partner performance or cost reduction resulting from improved operations.

Customer satisfaction, customer service, and related measures all impact a company's ability to grow. Companies that have developed EEL initiatives recognize that their value chain partners — whether in development, sales, or support — are integral to the quality of their customers' experiences. For some companies, the extended enterprise is the face of the organization. For others, the successful development or distribution of a product is the sole measure by which a client may judge the quality of its experience with the company.

Cost reduction is another business factor commonly cited in support of EEL initiatives. A building contractor demonstrated that for every dollar lost on a job site, \$0.20 was due to an injury to a subcontractor and \$0.80 was the result of the poor construction practices of a subcontractor or manager. The company believes that each dollar saved on a job site flows straight to the bottom line and results in higher profit and shareholder value. Therefore, a training initiative to increase subcontractor awareness of the impact of safety violations and construction practices can help reduce costly errors and increase profitability.

Customer satisfaction or cost reduction — and maybe other motivations — must be linked to some observable, measurable criteria to ensure the EEL initiative achieves its goals. If both the goals and the measurement criteria are identified in advance, the impact of successful initiatives will be visible and misdirected programs can be refined. Failure to identify success measures represents one of the main inhibitors to adoption of an EEL strategy.

Business Challenges to Adoption of EEL

Organizations face numerous internal and external obstacles that must be mitigated before they can fully align behind an EEL initiative. IDC believes that the main inhibitors can be successfully overcome.

☑ Decentralized training authority. Companies that have many training organizations find coordinating efforts to support an external audience a difficult burden. Successful companies work to ensure that "effort" and "benefit" are fairly distributed between all stakeholders. IDC has observed that many successful initiatives begin at the line-of-business (LOB) level. This "field-level" sponsorship ensures that the focus of the initiative remains on the business driver and not on the training process. Companies with decentralized training organizations find that an LOB-led initiative has fewer political implications and is more likely to achieve its objective.

- Identification of success measures. Organizations that can't point to one or a few measures of success find that priorities shift, and thus they are unable to maintain organizational commitment. Typically, organizations identify several, or even dozens, of metrics that might be or could be impacted by a learning initiative. Without early and explicit agreement about the one or few meaningful metrics that will indicate success, there will be a general erosion of organizational support as various stakeholders become dissatisfied with the impact on their specific "metric du jour." Meaningful metrics can be either direct or indirect outcomes of the initiative; both can be sufficient justification for continuation (or termination) of a learning initiative. For example, a safety program can result in either increased observed use of safety procedures (direct) or reduced days lost due to on-the-job injuries (indirect). Both measures may be attributable to a safety training initiative and/or other factors — although it may be academically interesting to identify the percentage of impact the training had on the behavior and the lost days, in a business context, it is usually not necessary to isolate the precise impact of one factor from that of others. Successful organizations identify a few metrics and generate organizational (or at least leadership) consensus on the value of moving those specific indices.
- Desire to control intellectual capital. Some organizations are protective of their business processes; they consider these processes irreplaceable intellectual capital and believe that sharing that intellectual property is bad business practice. Successful companies are able to create organizational buy-in around the most appropriate target learners and the types of sensitive intellectual capital that can be shared.
- △ Lack of obvious success stories. The lack of obvious success measures, combined with the protective nature of some companies, makes the need for credible, replicable success stories critical to organizations considering undertaking EEL initiatives.

The first three obstacles must be addressed within the enterprise. The fourth requires the action of EEL services vendors to remedy completely. When organizations consider EEL and recognize these obstacles, the chances of success improve dramatically, and the companies can focus on the strategic approach of EEL and not the tactical challenges to its adoption.

Identifying the EEL Approach

As mentioned above, each organization may look at the "value chain" and see that its business priorities depend on a different link. Once the critical link has been identified, the process of identifying the EEL opportunity and approach becomes more straightforward and rests on several factors and questions:

☑ Business objectives. What is the key motivation of the company to consider an EEL initiative? Is it clear that changing the behavior, attitudes, or skills of members of the extended enterprise will accomplish (either directly or indirectly) the business objectives? How can the organization's business objectives be expressed in terms of benefits to the target segments of the extended enterprise?

- △ **Learning objectives.** What learning objectives can be reasonably expected to meet the organization's business objectives for each target segment of the extended enterprise? What value do those learning objectives have to the target segments and the individual members of the extended enterprise?
- ☐ Target audience. Who is the target audience? What is the learner's work
 environment that relates to the extended enterprise? Where does the target
 learner typically receive training and information? Why does or should the target
 learner care about participating in an EEL initiative? How many different types or
 segments of learners are objects of the initiative?
- ► Number of target learners. How many learners should be included in the initiative? Where are the learners concentrated (by geographic region, company, or other affinity group)?
- Availability of training resources. What resources are available to implement an EEL initiative as trainers, managers, marketers, infrastructure managers, and content developers? What other internal or external resources can be leveraged to support the EEL initiative? What additional resources are required to augment existing and leveraged resources?
- Management tools. What management tools are available, including learning management systems, extended enterprise portals, or other systems that support communication with the target extended enterprise audience?

IDC research suggests that organizational approaches vary considerably based on each of the six factors and questions noted above. Therefore, careful consideration of each of these factors can significantly impact what might be considered an optimal approach.

For example, a major truck tire company initiated an EEL initiative to increase worker and customer safety and created a learning objective that required the demonstration of safe installation procedures. It used a classroom experience with a high percentage of hands-on instruction. Alternatively, a major construction firm that was also attempting to increase workplace safety accomplished its learning objective without a classroom component to the training because of the location of the target learners.

The sheer size of the learning audience can affect the type of learning offered and its delivery style. Many companies IDC has observed have gained economies of scale by deploying elearning as the centerpiece of their EEL initiatives.

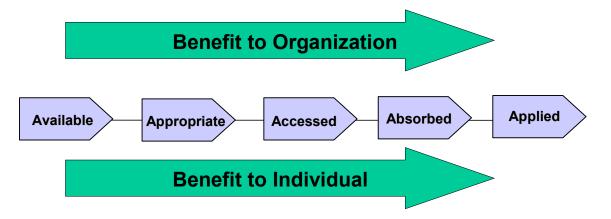
As organizations gain experience with their EEL initiatives, the initiatives change, either in scope or objective.

Effective Learning Practices and the Extended Enterprise

IDC has identified several key lessons learned for designing and implementing an effective EEL network capable of delivering accurate, relevant, and useful training to the extended enterprise. These practices are best understood if examined from the perspective of IDC's five A's framework of an effective learning chain (see Figure 2).

FIGURE 2

IDC's Five A's Framework



Source: IDC, 2005

The model suggests that information must first be available and appropriate to the needs of the target learners to address a particular problem. If the content is available and appropriate, it is more likely to be accessed. If it is accessed, it is more likely to be absorbed. If it is absorbed, it is more likely to be applied. If it is applied, it is more likely to drive a change to practice that will impact the organization.

If this model is used as a framework for lessons learned, then recommendations and opportunities become more obvious in the context of the learner's needs and the organization's objectives.

- Availability. This means making learning content available and deliverable to the extended enterprise learner in a ubiquitous, unobtrusive manner. IDC found that successful companies:
 - □ Begin developing training content with the start of product development. Early development of training ensures that training materials are available during the product testing stages and also provides an opportunity for the training materials to be tested. Companies whose internal structures are organized in a manner that facilitates communication between the training and production units will be best positioned to leverage early cooperation between these two groups.

Recognize the importance of informal learning. Many companies IDC has observed have indicated that informal learning is as valuable as formal learning to the extended enterprise. Those companies noted the importance of establishing best-practice communities that span the extended enterprise and enable the sharing of information and ideas. Maintain open channels of communication with key stakeholders. IDC discovered that many of the organizations boasting successful EEL programs had clear channels of communications with all stakeholder groups and actively kept those groups informed of the latest training resources available to the extended enterprise. With this information, the stakeholder groups announce or market training within the context of other routine communications with the extended enterprise. ☐ Build a strong infrastructure. Designing an EEL platform that is robust enough to make training materials readily available to the extended enterprise is critical. Most elearning courses include media-rich content (streaming audio or video) to ensure the infrastructure will be able to deliver all relevant content with minimal delay. Consider using a technology or services partner. An important part of making content available is ensuring that it is integrated successfully into existing systems. One company IDC observed clearly stated this imperative: "If your organization or team isn't technologically astute, hire full-time or contract support." Appropriateness. This means ensuring that learning content is selected and presented in a prescriptive fashion to the extended enterprise learner based on business function and role. IDC found that successful companies: ☐ Know their audience. For the platform and content to be appropriate to the target learners, clear understanding of the various target learners is critical. A collaborative approach, with mixed team members representing brand management, product development, instructional designers, and subject matter experts, helps keep the learning objectives and methods focused on the relevant audiences and ensures that consideration of different populations is done early. ☐ Reuse content, but don't sacrifice appropriateness for cost savings. It is common for companies new to EEL to deliver reused customer training content or mix extended enterprise learners in customer training courses. Successful companies have mechanisms in place to ensure that these practices do not dilute the appropriateness of the content and experience to the extended enterprise. ☐ Provide a clear development path for the learner. Some organizations use a prescriptive model to direct their learners to content that is available to and appropriate for them.

		Mirror the training environment and work environment. For classroom delivery, this goal can be accomplished by training onsite or in labs. Organizations that use an online delivery model are able to accomplish the same goal through the creation of learning environments that closely replicate a learner's work environment.
		Start small. When possible, use small pilots to assess the appropriateness of training content, track results, and fine-tune the program.
	Accessibility. This means ensuring that learning content is accessible by the extended enterprise learner at the time of need and in the proper context when relevant need is present. IDC found that successful companies:	
		Use a learning content management system (LCMS) or other form of content delivery tool to facilitate content accessibility. An LCMS allows organizations to ensure that their content is accessible to learners as well as to content and course developers.
		Develop dynamic and engaging content. Content that is visually stimulating and attractive will be accessed more than content that is static and dull.
		Ensure convenient and appropriate pricing and payment methods for groups of target learners. Several companies provide access to content at a special price for selected learner groups.
		Make content as compact as possible. Companies that ensure that learning content is as rich and dense as possible find the content is more frequently accessed. Relevance drives access and use of learning more than any other factor.
		Assign value to the training offerings. Although companies differ on whether to give away or sell training to members of the extended enterprise, clearly establishing a value for accessing training is critical. Aside from selling or discounting training, companies can assign value by establishing usage or penetration targets with rewards for achievement of aggressive goals.
	Absorption. This means supporting the retention of learning objectives by the extended enterprise learner through proper presentation and actionable format. IDC found that successful companies:	
		Use a blended delivery model. By varying the way content is presented, an instructor or course is more likely to address the range of learning styles and promote retention. A blended approach means not only offering content through a series of different delivery methods (e.g., online, instructor-led, and text-based) but also using a variety of different instruction techniques within a course.
		Develop small, short modules. Ensuring the information transfer is manageable improves absorption. Some organizations limit learning objects to a prescribed length.
		Facilitate practice. Content is absorbed more readily when learners have an opportunity to practice what they have been taught. Successful organizations are structuring both their online and classroom-based courses to include practice labs that give students a hands-on learning experience.

Application. This means maximizing the impact of learning on the desired business behavior of the extended enterprise learner by monitoring and refining appropriateness, accessibility, and absorption of content and business metrics simultaneously. IDC found that successful companies:
 Know the difference between bad training and a broken process. If training doesn't achieve the desired business results, it may be the result of poor business processes and not a problem that can be remediated by improved training. One company observed: "I can train all the technicians I want, but I can't control the dispatch process, for example, to make sure that technicians get the right repair orders..."
 Measure impact. Measurement is the key to identifying the success or failure of the learning chain.

☐ Understand that effective training is a moving target. The training process continually changes. Successful companies recognize that there is always

What Can Companies Do Next?

some component that must be changed or improved.

Companies are always looking to improve the availability, appropriateness, accessibility, absorption, and application of their EEL training resources. When companies attempt to decide on their next steps, the actions they take are tied directly to the maturity or phase of their EEL implementations.

Phases of EEL Deployment

IDC has observed a pattern to the evolution of EEL initiatives that is reflective of the organizational maturity and scope of intended impact. The determining factors of a particular phase include the length of time the EEL initiative has been in place, the scope of the EEL initiative, the maturity of the infrastructure in place to support EEL, and the breadth of learning offered to the extended enterprise. Broad-based research suggests that a relatively small percentage of companies have implemented EEL initiatives. Consequently, most companies observed are early in the deployment cycle. The phases of deployment IDC has observed are:

- Pilot phase. The company has its EEL initiative in limited deployment with a very targeted population used to evaluate the overall approach.
- ☐ **Implementation phase.** The company is in the process of or has recently completed a wide-scale EEL deployment.
- Maintenance phase. The EEL initiative has been fully deployed for some time and is relatively stable with just minor changes occurring as needed.

Although the ultimate penetration of EEL is unclear, the benefits observed and potential benefits predicted suggest that EEL may provide companies across industries with significant and sustained competitive advantage if properly designed and implemented as well as continuously improved.

Specific Actions for Companies

IDC suggests that companies consider the following recommendations based on the phase of EEL deployment.

Predeployment

Companies considering an EEL initiative should strongly consider beginning with the pilot phase. While conducting some form of viability analysis, the enterprise should establish short- and midterm milestones and build consensus supporting the key metrics that will indicate success. The pilot phase should be structured to provide tangible benefits to the organization and target learner population and at the same time highlight potential obstacles and opportunities of a more extensive rollout.

Pilot Phase

Companies in the pilot phase that are moving toward the implementation phase of an EEL initiative need to pay attention to all five A's in the learning chain. Although their efforts may not be as robust in the pilot phase as they will be during full implementation, they need to lay a solid foundation in order to build a sound platform for the future.

- Communication is key. Solicit feedback and discuss with product managers and other stakeholders how training can be involved as early as possible in the product development or service delivery cycle.
- □ Incorporate feedback from learners to refine and improve the appropriateness of delivered content and the EEL interface and continuously fine-tune delivery.
- Consider investing in a content management system for storing and managing learning content.
- □ Begin with the "end" in mind. Identify training objectives of the expanded initiative early and determine the appropriate metrics to measure impact. Metrics measured in the pilot phase might be limited to short-term changes in behavior of a limited population and the implied impact of that behavior on business goals, but companies moving to a more wide-ranging implementation may need to establish broader, and possibly more indirect, measures of impact. When an EEL initiative targets a support organization, for example, the pilot might measure the reduction of support call length or increased first-time resolution in a small group of call center employees. A broader implementation might observe an overall increase in call center volume or a decrease in call center wait times along with an improvement in caller satisfaction or resolution rates.

Implementation Phase

During the implementation phase, three links in the learning chain are critical: availability, absorption, and application.

Assess (as the company ramps up implementation) if relying on internal infrastructure and resources is appropriate or if using a service or technology provider is necessary.

- Increase the formality of instructional design process to increase efficiency and content absorption. Develop and deploy instructional design templates early so that content developers follow established parameters.
- ✓ Work with business management and other stakeholders to ensure that training content impacts relevant business processes.

Maintenance Phase

During the maintenance phase, three links in the learning chain are critical: availability, appropriateness, and accessibility.

- Continue to build a robust delivery architecture. As content developers design increasingly media-rich content, maintaining a strong infrastructure ensures that content is available when requested.
- Observe the learning audience. Extended enterprise learners will find unexpected ways of using and leveraging learning content that can benefit future development or suggest changes in processes. For example, content intended as learning aids may become sales aids or even customer support tools. Learn to leverage these innovations because they represent an opportunity to increase the impact of the EEL initiative on an ever-wider audience.
- Monitor usage and penetration of content and identify barriers that prevent access. Barriers can be technical, social, or structural. Comparing expected and observed use of training can highlight obstacles that develop after the initial rollout is complete.
- Expand marketing of the value of training. As the initial 'buzz" of the initiative fades, learners may find their attention focused on a newer initiative. Continuously improve the marketing and promotion of the value of the EEL initiative. One company IDC studied was "pushing" content more frequently to learner desktops to reengage learners.

Enhancement Phase

Companies that have been running an EEL platform successfully and are in the enhancement phase should refocus on the appropriateness, absorption, and application links of the learning chain.

- ☐ Improve the integration and management of the EEL system with other enterprise systems.
- ☐ Invest in technologies that enable live and interactive courses to add value to the learning experience.
- □ Identify new business objectives and processes that may be addressed by an EEL initiative.

CONCLUSION

As organizations seek to identify how to use learning to support business strategies, more companies will find that they can achieve significant benefits from training their extended enterprise.

Extending learning to the extended enterprise can both increase revenue and elevate customer satisfaction. The challenge of measuring and validating success will be one of the most intractable problems of EEL. IDC believes that companies that can identify the specific links in their extended enterprise that can benefit from additional knowledge, information, or training and the specific measures of success are best positioned to initiate an EEL initiative.

Once companies have identified the target population, the specific approach will be driven and constrained by:

- Business objectives
- □ Learning objectives
- Number of target learners
- Availability of training resources and management tools

As organizations become increasingly focused on bottom-line results, the spotlight on extended enterprise performance will become increasingly relevant.

About Intellinex

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