

Align Your Extended Enterprise with Integrated Learning

Balancing Risk and Reward

Executive Summary

No modern enterprise stands alone. Every business is part of an interconnected ecosystem of subsidiaries, suppliers, channel partners, franchisees, dealers, contractors, customers, and prospects.

Managing for success in this extended enterprise requires a new direction in leadership. In an environment they cannot control, boards and executives must lead by influence. Volkswagen's losses from last year's production shutdown show how ruling by economic power in a partnership can backfire.¹

"A complex system cannot be controlled. However, it can be influenced. And the more the system is able to adapt and learn, the greater the probability that it can be influenced or nudged into the desired state."

The Institute of Risk Management

Exercising this influence to create a shared vision and values, governance, collaboration, and knowledge requires a foundation of learning.

Investments in learning in the extended enterprise can reap enormous rewards. Not only can an enterprise create a profit center in learning itself, but the enterprise can also influence the entire ecosystem beyond control and compliance with a culture of shared purpose and innovation.

The depth of that influence depends on how well learning is integrated into the workflow of each member of the extended enterprise.

- The people in your sales channels need product information and performance support embedded the tools they use on the job.
- On-demand coaching delivered at the point of need can boost management skills in your franchise partners.
- Customer training integrated into social media channels can extend your reach and grow an active and loyal community.

The values and shared vision you communicate with the learning can create a culture that permeates your entire extended ecosystem and beyond.

¹ Roser, Christopher. "Volkswagen Supplier Relations Failure." AllAboutLean.com. October 5, 2016.

Introduction

21st-century businesses depend on a vast ecosystem of relationships far beyond the supply chain. Companies may have dozens or thousands of relationships with subsidiaries, suppliers, channel partners, franchisees, dealers, contractors, customers, and prospects. We call this ecosystem the “extended enterprise.”

In addition to other businesses, the extended enterprise can include prospective employees, contractors, freelancers, and independent agents.

Government agencies, regulatory bodies, and industry associations are a part of most extended enterprises.

Physical assets have decreased as infrastructure, logistics, technology, and support functions have become leased or managed services. Intangible assets have become more important and more dependent on the ability of external entities to deliver value. According to the Institute of Risk Management (IRM), up to 80% of operating costs may originate outside the organization.²

The IRM defines the extended enterprise as “a structure where a number of organizations come together in a joint endeavor in order to achieve outcomes that none of them could have achieved on their own.”³

As we will see, sometimes the words “joint endeavor” imply relationships that don’t exist. At one extreme, the connection is merely a transaction. At the other extreme, each entity in the relationship is committed to a common purpose. In practice, an extended enterprise can manifest the entire spectrum of cooperation and conflict from close collaboration to outright hostility.

Our world is volatile, uncertain, complex, and ambiguous, and as opportunity expands for each entity in the ecosystem, so does risk.

In this paper, we describe how success over the long term requires a change in thinking from a command and control approach to cooperation, collaboration, and influence.⁴ We then show how learning, embedded in the daily work of each member of the ecosystem, serves as the foundation that enables the extended enterprise to thrive.

² “Extended Enterprise: Managing Risk in Complex 21st-Century Organizations” (Executive Summary). The Institute of Risk Management. 2014.

³ Institute of Risk Management.

⁴ Institute of Risk Management

Risk in the Extended Enterprise

The trend for the past 20 or 30 years has been toward outsourcing non-core functions to focus on a firm's core business, but newer trends include outsourcing core processes as companies seek economies of scale wherever they can find them. Third-party risks are no longer just supply chain risks. They can now affect the existence of your business.

In the financial services industry, regulatory compliance requires diligent management of risks in vendor and non-vendor third-party relationships.⁵ The growth in regulation has spawned an industry of third-party risk managers and software applications.⁶

Most of the leadership focus in the extended enterprise is on protecting the individual company from the negative impact of third-party risks. But there is more to risk than maintaining control, enforcing compliance, and controlling cost. Derek Brinkman of Aberdeen Group describes it as follows:

- **“Unrewarded risks** have to do with defending assets, minimizing downside, and protecting value.
- **Rewarded risks** have to do with enabling assets, maximizing upside, and creating value.”⁷

Managing the upside risk is as important as the downside. A system that focuses only on downside risk to achieve stasis will stagnate as the system ceases to innovate.

A New Leadership Approach

Managing the extended enterprise requires a collaborative approach where leaders influence rather than control. The new emphasis is on relationships, attitudes, and behavior. We can base the new approach on four principles espoused by the Institute of Risk Management: shared vision and values, governance, collaboration, and knowledge.⁸

“No organization today has direct control over every aspect of its operations or reputation.”

The Institute of Risk Management

Shared vision and values. A compelling vision is a foundation for a network of lasting relationships. The shared vision requires a clear picture of the current and future state, aligned with shared values and motivations. A shared vision unites the organizations behind the purpose of the larger enterprise and its values.

Any member of the ecosystem can be a part of others, and each individual entity has a unique culture. Agreeing on the principles that drive the values will provide the means for an open conversation, even across cultural boundaries.

⁵ “Third-Party Relationships: Risk Management Guidance.” Office of the Comptroller of the Currency, U.S. Department of the Treasury. October 30, 2013. <https://www.occ.gov/news-issuances/bulletins/2013/bulletin-2013-29.html>.

⁶ “2015 RMA Third-Party-Vendor Risk Management Survey.” The Risk Management Association. Accessed April 23, 2017. <http://www.rmahq.org/2015-rma-third-party-vendor-risk-management-survey/>.

⁷ Brinkman, Derek E. “IAM: Beyond Control, Compliance and Cost.” Aberdeen Group. September 2015. <http://aberdeen.com/research/11072/11072-rr-iam-beyond-ccc/content.aspx>

⁸ Institute of Risk Management

Learning in the extended enterprise presents a golden opportunity to reinforce the values and the vision that drives them. You can seize opportunities to embed those principles in the learning interface, in specific content, and within the lessons themselves.

Governance. Finding the balance between control and flexibility requires a cooperative approach to governance. Contracts and rules are useful until they stifle the sense of ownership and innovation—the primary drivers of growth and sustainability.

For example, inspection and data-sharing enable companies to monitor performance and compliance throughout the system, but each entity must make its own decisions about what it will share. An open, collaborative approach is needed to build trust that will enable effective data-sharing.

Organizations such as the Risk Management Association provide workshops and other learning opportunities for compliance, governance, and reporting, but embedding compliance in the culture requires more than seminars. Follow-up training should reach all managers in an organization to give them the tools for everyday conversations about ethics and compliance.

Collaboration. New collaboration tools enable people to create teams that span organizational boundaries and foster the free flow of ideas. These tools also create integration points for transferring shared values and governance.

Collaboration doesn't just happen, and if not managed, it can become stagnant. Collaboration skills should be high on the agenda, and they require governance just as every other business activity. The good news is you can deliver learning inside the collaboration tools.

Knowledge. Shared knowledge fosters values, governance, and collaboration. Without a shared body of learning, none of those dynamics can exist.

While most learning is operational, each learning opportunity can carry principles, values, and standards in its design. Every learning opportunity has a purpose, and that purpose relates to the shared vision and values of the system. Every certification carries standards embodied in its skills, methods, and procedures.

Learning is the foundation for the success of the extended enterprise, and learning success depends on how the learning is integrated in the daily work of each member of the system.



The Value of Learning in the Extended Enterprise

The value of extended learning has transformed the Learning Management System (LMS) from a cost center into a cost controller, revenue generator, and growth engine. Brandon Hall Group's 2017 Extended Enterprise Learning study reported that 40% of organizations generate revenue from extended learning, and 30% of



those earn than half their LMS costs.⁹

Companies extend learning because it pays. The Aberdeen Group reported that companies that provide learning to partners realize nine times the revenue growth per full-time employee (FTE) of those who don't, and they enjoy 33% greater customer retention.¹⁰

There are opportunities in every industry, and how it deploys learning depends on the industry, each firm's position in the ecosystem, and the relationships among those companies.

Every business in the extended enterprise can be a host for learning, a conduit for learning hosted elsewhere, a training consumer, or all three. In the interconnected, video-driven, multi-sourced enterprise learning of today, individuals in companies can be producers, enablers, and consumers of learning all at once.

As a result, there can be dozens or hundreds of learning integration points in an extended enterprise.

Integrating Learning in the Extended Enterprise

Much of extended enterprise learning is mandatory. In the technology industry, the short-term nature of deployments and upgrades lends itself to contingent employment. Since the 1960s, companies have relied on consulting firms to implement and service their products, and those consulting companies hire contractors.

With advances in technology and frequent product upgrades, consultants and contractors are always learning. The half-life of technical skills today is less than three years, and technology providers meet the need by selling certification training to companies and individuals. This training contributes significantly to revenue.

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The same is true in the automotive industry. Mechanics are now technicians who require frequent updates on automotive technology.

Voluntary Learning in the Extended Enterprise

The growth of voluntary training has created the need to attract and delight learners. Employees, contractors, partners, and customers are demanding a more relevant experience. Workers in the extended enterprise have become just as difficult to engage with as customers.

While classroom training will remain relevant for immersion in new skills, the future of learning is online micro-learning, videos, and information from a wide variety of sources.

Even more important is learning at the point of need, embedded in daily activities in a way that does not interrupt the flow of work. People are becoming accustomed to learning and doing and learning *while* doing.

The same is true for consumers. Any barrier between customers and what they want to learn is a reason

⁹ "Extended Enterprise Learning: Generating Revenue and Adding Value." Brandon Hall Group Research Team. March 2017.

¹⁰ Lahey, Zack. "Extended Enterprise Learning: Educating the Channel to Improve Results." Aberdeen Group. March 2014.

to abandon the experience.

Recommendations

Taking extended enterprise learning beyond transactional relationships requires a focus on the experience. Relevant content is essential, but so also are accessibility, the learning experience itself, and rewards.

Create a Revenue Source

Anywhere your extended learning creates value may be an opportunity to develop an income source. You may be familiar with customer workshops at your local Home Depot store, but there is much more to Home Depot learning than how to tile a bathroom. In partnership with Ed2Go, Home Depot took its employee and customer training online and now offers courses in personal and professional development for a fee, discounted to employees.

If you are not already generating revenue from your LMS, you may want to explore its hidden opportunities.

Leverage Learning Data

Extended enterprise learning creates a measurable impact on the business. Make sure your analytics team has the learning data they need to measure the impact on a micro-level. Analytics should be embedded in the tools leaders use to manage.

Embed Learning in the Work Experience

Knowledge workers who spend their day using business applications should be able to go from a work activity to learning and back again seamlessly.

If you cannot integrate the LMS in the application, the next best option is Single Sign-on (SSO). This environment allows access control to independent software systems with one login, so moving to a learning activity does not require another username and password. Dozens of solutions exist, including Security Assertion Markup Language (SAML) and many other open source solutions.

LMS/CMS

One of the most powerful integrations is a Learning Management System and a Customer Relationship Management (CRM) platform. If your sales staff are working their prospects in Salesforce, the staff's learning activities should be alongside their other Salesforce applications. You can see LMS records in Salesforce and run reports to correlate training to sales, and you can create triggers to recommend training based on user activity.

Only a few LMS platforms have pre-built connections for Salesforce, but like many other modern business platforms, Salesforce supports integration in three ways:

1. A library of pre-built connectors for the applications their users most often integrate. These connectors are "plug and play" that can be used by any computer-savvy business user.
2. An API library that a technician can use to connect with systems where a pre-built connector doesn't exist.
3. An API IDE or web services that an integrator can use to build custom or complex integrations.

Embed Learning in Social Media

If you want to engage customers in learning, provide learning where they are. Enable users to connect to your learning opportunities from their social media accounts. Facebook Connect is leading the way, but connections are possible with any platform.

Provide Mobile Access

Users expect to connect to the tools they use anytime and anywhere. A field technician may need a schematic diagram or diagnostic procedures. A manager may want to grab a quick leadership lesson between flights. Sales representatives might need information on features or a how-to guide to help customers.

Embed Learning in Collaboration Platforms

The growth of platforms like Slack, Jive, SAP Jam, and Salesforce Chatter have enabled a level of integration that was not possible before. These platforms allow teams to collaborate from anywhere in the world across organizational boundaries. Integrating selected learning activities into the collaboration tool will multiply the power of teamwork.

Reward Learning

Well-trained sales teams sell more. By linking learning and selling with cash awards, you can incent people on the sales floor to become product enthusiasts and expert sales professionals.

Non-cash awards work, too. Badges can become a universally recognized credential system in any value chain. They are much more than electronic versions of the plaque on the office wall.

People who earn badges can display them in their online profiles to tout their achievements and build a personal brand. Business partners use badges on their websites to show their trusted status.

Using badges in extensive training programs helped IBM build a large pool of verified talent for clients and business partners. IBM builds a loyal skill base and improves capabilities throughout the value chain, and motivates customers to develop skills that reduce customer service costs.¹¹

The metadata embedded in badges makes them even more valuable because companies can track skills at the micro-level. The resulting analysis, when correlated with operational data, provides a solid analytical base for planning development efforts and sourcing critical skills.

¹¹ Leaser, David. "Open Badges at IBM: Overview for External Audiences." February 17, 2016. <https://www.slideshare.net/DavidLeaser/open-badges-at-ibm-overview-for-external-audiences>.

Conclusion

Integrating learning into the flow of work for your sales channels and other partners does more than improve skills and performance. The values and shared vision you communicate with the learning can create a culture that permeates your entire extended ecosystem and beyond.

When you take learning beyond the workforce to customers and the public, you can do more than increase sales and generate revenue. The impact on workforce skills and your reputation can be priceless.