

Consortium Training: Improving the Distribution Channel

ABSTRACT: Training consortia are often formed among businesses seeking to lower training costs. However, in medium to small metropolitan areas the emphasis of the consortium may shift away from price reduction towards increasing training availability without payment of a premium price. In addition to benefiting existing businesses, this increased training availability can increase the economic attractiveness of an area both for existing businesses seeking to expand their operations and for new businesses considering relocation. To attract training under favorable terms and conditions, the consortium must consider the whole training distribution channel to understand how it can make its area an attractive training market to vendors. This is possible if the consortium management enters negotiations fully aware of all the benefits that a consortium can offer a training supplier. The addition of a college or university to the consortium adds further attractions to the vendor. Participation in a consortium also benefits the college or university.

KEYWORDS: *Academe and Business Partnerships, Information Systems Training, Training Consortia, Economic Development*

INTRODUCTION

The Drake Information Systems Consortium, DISC, was initiated in 1987 by the College of Business and Public Administration at Drake University to work in partnership with major computer-using organizations in Des Moines (Table 1). The objective of this partnership is to provide managerial and technical training and education to information systems professionals in the central Iowa area [1]. Since then, DISC has provided a growing resource for the community, become a center for data processing professionals from area schools and businesses to exchange ideas, and enhanced educational opportunities for both students and faculty. With the cooperation of the Iowa Department of Economic Development, funds have been obtained to expand the consortium's mission beyond training into

research supportive of the state's targeted growth industries.

OBJECTIVES OF TRAINING CONSORTIA

Consortia start as partnerships formed among the consumers of training and educational materials. Organizations band together to enjoy the economies of scale that come from having more people available to attend a given training offering. Indeed, in a large market where a wide selection of training is routinely available, the function of the consortium can be seen as one of obtaining already existing training at a lower price [2].

However, in smaller communities the focus may shift to providing training within the community that might not be there if the consortium did not exist. The principle economic advantage to the members of the consortium comes not from reducing the cost of the training itself but rather from avoiding travel costs. Travel costs include cash expenditures such as air fare, hotel and meals, as well as the additional costs to the company of time lost from the job while traveling, and the personal costs to the employee of being away from home and disrupting personal and family schedules. (An infrequent exception to this occurs among those who view training as a reward and the travel to a distant location that comes with it as a part of the reward.)

Travel costs are significant enough that very often a company will send several people to a local seminar where they would send only one person to the same seminar in a distant city and ask that person to pass on the training to others when he or she returns. This means an additional advantage for local training. When a company sends several employees to a seminar, benefits come not only from the training of these individuals as individuals but also from their interaction with one another during and after the training process. Furthermore, many of the other attendees at a local seminar are now in the same city and only a local phone call or short trip away for serving as a follow-up resource.

THE DISTRIBUTION CHANNEL FOR INFORMATION SYSTEMS TRAINING

Training is not simply a matter of putting a trainer and trainee together, nor is it a matter of only finding out what the customers want. There is much to be gained by looking up the channel to see what is being offered. The training distribution channel (Figure 1) includes the actual trainer, the distributor of training which may be an organization employing trainers or a training broker, the provider of facilities where training takes place and finally the employer of the trainee and the actual trainee. If the consortium's mission is to bring training to an area that

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Table 1: AFFILIATES OF THE CONSORTIUM

Central Life Assurance Co.
Continental Western Insurance Co.
Deere Credit Services
DeLONG Sportswear
Drake University
EDS
Farmland Mutual Insurance Co.
Financial Information Trust
The FREEDOM Group
Ginnell Mutual Reinsurance
Hy-Vee Food Stores
Iowa Credit Union League
Iowa Foundation for Medical Care
Kirke-Van Orsdel, Incorporated
Midwest Resources
Pioneer Hi-Brand International
Preferred Risk Insurance Company
Principal Financial Group
Ruan Transportation
State of Iowa

might otherwise not have it or to bring additional training to that area, it can provide resources to either the trainer or the training brokers to reduce marketing costs, to increase marketing revenues, to reduce production costs, or to improve training quality when servicing the consortium's area.

When a trainer or training broker wants to offer a course in a new area the first task is to generate enough revenue, generate enough customers to cover the cost of offering the training. This is usually accomplished either by calls to regular customers or by some form of bulk mail advertising of catalogs and brochures.

The DISC monthly newsletter has a circulation of over 800 systems professionals. This newsletter informs both the affiliates and the public of DISC offerings and allows a vendor to access the entire central Iowa data processing community in a highly targeted manner. Once a vendor decides to schedule a seminar through the consortium, it is carried in the newsletter's monthly calendar every month up through the month it is offered. The consortium disciplines itself so that all communication from the consortium flows through the newsletter. This provides a continuity of communication to the recipients of the newsletter and reduces the extra printing and postage costs associated with advertising individual seminars and events. This also reduces the odds of a vendor's flier being tossed away as yet another piece of junk mail. The month before a seminar is offered vendors are also allowed to provide one page inserts to the newsletter to the degree that postage costs are not increased.

The newsletter is sent not only to affiliates but also to data processing professionals within other companies and organizations in the community. Most activities of the consortium are open to the general public, usually at a charge somewhat higher than

that charged affiliates. These policies of public marketing and public availability increase the attractiveness of the consortium to a trainer or training broker, make the consortium a valuable resource to the community and also benefit the consortium affiliates by increasing the attendance at DISC sponsored seminars. Approximately 30% of seminar sales come from attendees who are not within the consortium. These sales benefit the consortium members in two ways. They reduce the per person cost of running the seminar, and more importantly, often provide the critical number of attendees that make running the seminar possible at all.

Vendors who contact or who are contacted by the consortium are given good market information. An education committee on which affiliate organizations share equal representation meets once a month to generate ideas for seminars the consortium might offer. About four times a year formal surveys based on these ideas are sent to all members of the consortium to make sure information is gathered from those who may not actively participate in the education committee meetings. Seminars are scheduled based on the results of these surveys. This information is also freely shared with vendors who contact the consortium. A vendor who understands the value of this marketing information will also increase the amount of risk he is willing to bear by allowing up-to-the-last-minute cancellation of the seminar or by going with a smaller guarantee and a larger share of actual revenues.

The active cultivation of good relationships with vendors is also a factor that helps the consortium. Very often a vendor through its own marketing efforts has identified several potential seminar participants from outside the Des Moines area who would attend the seminar if it were offered in Des Moines. These participants, together with those whom the consortium has identified, will constitute the critical number required to make a seminar profitable. By cultivating the relationship with the vendor, the seminar is run in the consortium city rather than in another city in the area. This saves travel costs for consortium members and also brings business to the consortium city.

Recently one vendor approached DISC with a marketing problem. Not enough people were registering early. An early registrant incentive plan was developed to insure that consortium members as well as the general public would benefit from early registration. In other words a consortium member would

receive a double discount, a discount for registering early on top of the discount for being a consortium affiliate. The vendor was willing to offer this added benefit to consortium members because there was value for him in knowing early that a seminar would have the numbers to run profitably. He was able to take advantage of lower airfares and lower hotel rates gained by early bookings and more importantly plan for the deployment of his training resources.

Another vendor approached DISC interested in expanding her company's market penetration in the midwest. Until then the company had concentrated on the east and west coast markets. Because she had heard of DISC, she felt our city would be an attractive location for starting this expansion. Because DISC offered a well-established customer base and good facilities, the consortium city was chosen over a number of other otherwise equally qualified cities in the region.

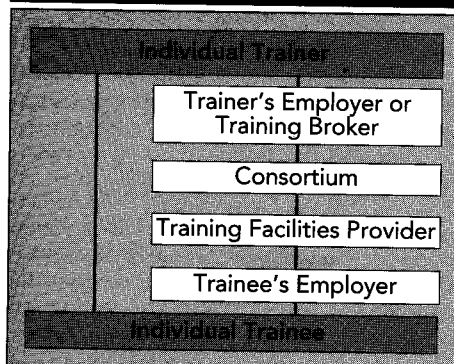
Through DISC, companies can also re-market extra seats they have available from in-house training programs. This both reduces the cost to the host company of its in house program and increases the training available to other companies. In fact a number of vendor relationships have just such an arrangement as their beginning. On one occasion a vendor was to do an in-house for an affiliate and had to cancel at the last moment because not enough people would attend to make the training pay for itself. The seminar was subsequently marketed through DISC. Enough additional revenue was generated so the seminar could run.

DELIVERY OF THE TRAINING

In delivering the training a university provides a number of advantages that are not available to a consortium that is simply a collection of companies. First, a suitable training facility must be located, suitable in terms of cost and suitable in terms of meeting the requirements of the particular kinds of training being offered. The resources of a university, the seminar rooms and classrooms, are particularly attractive to training vendors. For more specialized requirements, Drake's lecture halls are equipped with satellite connection via the university's cable television system and various facilities exist for the direct display of computer output. Computer labs are available for computer based training. The recent connection to the Iowa optical network offers potential for future delivery options.

Administrative activities attain a level of

Figure 1: THE TRAINING DISTRIBUTION CHANNEL



continuity that may not come from a purely volunteer organization. The day-to-day operation of DISC is managed by the continuing education staff of the College of Business and Public Administration. They have an organization in place that can offer a number of services to a trainer such as the registration of participants, the mailing of confirmation letters to participants, the collection of seminar fees, the recording of continuing education units, and the reproduction and assembly of seminar materials.

This set of services is particularly attractive to the individual trainer who is not part of a large training organization and is attempting to get a training business started. The consortium has been able to help a number of consultants establish a seminar business. There are few cash outlays in bringing a seminar to market. DISC markets through its existing newsletter and uses the existing university facilities and continuing education organization; the consultant provides the seminar materials. Compensation is usually based on some sort of sharing of seminar revenue between the consortium and the consultant.

WHO BENEFITS

The values to the consortium affiliates are clear: more training opportunities and training at lowered prices. These same benefits, albeit to a lesser extent, also accrue to the data processing professionals of other companies within the area who are not affiliates to the consortium. The community at large benefits through having a better trained technical work force, a factor in attracting new industry to the state and in encouraging existing companies to keep their growth plans within the state. The chamber of commerce regularly has companies considering relocation to the Des Moines area meet with representatives of DISC as one of the selling points for the area in terms of the support given companies who rely heavily on information technology. The vendors benefit as their marketing and operations become more efficient and more effective.

Finally, by operating the consortium the university itself probably receives the greatest benefit even though the consortium activities themselves do not generate significant tuition dollars to the university. The primary benefit to the university is in becoming the center for area activity in the field of information systems. Exchange of ideas between business and industry is growing as DISC affiliates become guest speakers in courses offered at the university. Through the consortium, the

other affiliates can help the university in its educational mission and thereby help themselves to a future stream of qualified employees.

The consortium sponsors monthly roundtable meetings where members of the local data processing community meet to discuss managerial and technical problems of current interest. The affiliates of the consortium have asked that one of these roundtables be given by the information systems faculty to discuss the relevance of the curriculum to the requirements of the job market. In cooperation with such professional societies as the Association for Systems Management and the Data Processing Management Association DISC sponsors review classes for such professional certifications as the CSP (Certified Systems Professional) and CDP (Certified Data Processor) designations.

The state of Iowa has realized that it must diversify its economy and has identified a number of targeted areas such as printing and publishing, finance, real estate, insurance and professional services that require a well educated labor force [3]. All of these industries are information intensive industries and require the services of information processing professionals, exactly the cross section of industries and professionals that have formed and been supported by DISC. The consortium was following a number of educational strategies identified as supporting the goals of the state for economic development.

Capitalizing on these advantages DISC was able to obtain a grant from the Iowa Department of Economic Development to start research projects in the information systems field. The educational base developed by the consortium is being expanded by identifying and pursuing research in information systems projects that are uniquely supported by strengths of Drake University and the community that surrounds it.

By expanding the consortium's charter beyond training into research, additional opportunities for mutual enrichment develop. The resources of the affiliates and of the community support and guide the research of the university. This research in turn leads to the economic development of the community and growth opportunities for the affiliates.

CONCLUSION

Consortiums start with the simple economic premise that coordination of interests leads to economies of scale in the purchase of training. This is true because the

largest cost component of training is the fixed cost of providing the instructor. Variable costs change little as class size goes from a handful to a roomful. However, reducing direct class costs is not the greatest value that comes from a training consortium. The avoidance of travel and lost time due to travel may be a source of greater value. Because of this still more value comes when there are increased training opportunities within the community. Increased training opportunities bring real value not only to the participating members of the consortium but also to the community at large.

Because of the facilities that are part of every college or university, they are uniquely qualified to champion the formation of training consortia within their communities. They are well advised to do so for in so doing they will provide a community service that will help businesses in their area, increase the economic competitiveness of their area, and provide for themselves much richer educational opportunities within the community.

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