



STRATEGIC RESOURCING OF TRAINING & DEVELOPMENT

A KEY TO COMPETITIVE ADVANTAGE

TRAINING AND DEVELOPMENT — THE NEW OPPORTUNITY FOR OUTSOURCING

Outsourcing non-essential business functions has proven to be an effective technique for achieving competitive advantage in today's crowded marketplace. Almost immediately, outsourcing can improve the vitality of an organization's bottom line by reducing fixed costs and capital investments. Additionally, outsourcing can help secure a competitive foothold by refocusing the organization's critical resources on improving and differentiating its core competencies.

Increasingly, training functions are being outsourced with these benefits in mind. With this trend, the traditional "make or buy" decision has become much more complicated than in the past. If you are considering outsourcing your training, you are probably wondering:

- How can outsourcing support my company's overall business strategy?
- How can I evaluate whether or not outsourcing is right for our training and development organization?
- How can outsourcing benefit our organization?

This report reviews key research findings on the role outsourcing plays in today's business environment. It describes six benefits of outsourcing the training function, including:

- access to world-class capabilities and expertise
- alignment of training with business strategy
- leverage of resources and processes to enable greater economics of scale
- reallocation of resources to focus on core competencies
- intelligent application of technology
- movement from a fixed to variable cost structure

This report also provides guidelines for effectively selecting and managing outsourcing partners.

FROM SHORT-TERM FIX TO STRATEGIC RESOURCING

In the 1980s and early 1990s, intensifying market pressures forced businesses to look at new ways to gain efficiency. After analyzing their structure and processes, many organizations concluded that high fixed costs were impeding their profitability. Determined to quickly shed some of those fixed costs, they reduced internal resources in what they deemed non-essential business functions. Where these business functions, including training, still needed to be performed, organizations looked to external providers to supply the services more cost-effectively. Outsourcing became a widely used practice, commonly associated with downsizing and considered a “quick fix” solution to burgeoning fixed costs.

Outsourcing can deliver much more than a quick-fix solution for organizations.

Our research shows that when organizations strategically apply and manage their outsourcing partnership, they can concentrate on being the best at providing their core products and services, while the outsourcing partner supplies other necessary strengths and abilities.

We propose using the term “strategic resourcing,” rather than “outsourcing,” to better describe the potential of this practice.

Strategic resourcing is not haphazard. It requires an organization to make hard choices: determining what it can do well on its own, and what out-

siders can do even better. At its core is the building of a trusting relationship between client and “provider,” in order to find solutions to important business concerns.

“Strategic Resourcing” isn’t just one event; it’s a long lasting relationship.

The word “strategic” is important in this definition. Strategic resourcing involves the careful selection of one business partner who understands the organization’s issues and can marshal a cadre of world-class resources to realize the company’s vision. “Un-strategic” resourcing in the training area results in multiple billings from assorted providers, the poor coordination of resources, added expense, and fragmented objectives.

A GROWING STRATEGY

Strategic resourcing is positive and forward-looking and has moved beyond its typical earlier functions.

Traditionally, outsourcing has flourished in such areas as information technology, manufacturing, payroll services, and transportation management. Organizations historically outsourced the most transactional tasks or those least essential to the core business.

In human resources, for example, the first functions to be outsourced were generally those that were administrative: payroll and record-keeping.

Nowadays, an increasing number and variety of those functions may be outsourced, including employee leasing, relocation management, benefits administration, and, of course, training.

The expansion of human resources outsourcing is reflected in a Dun & Bradstreet study.¹ This study found that human resources outsourcing currently represents 12 percent of all outsourcing; furthermore, human resources outsourcing is growing at 38 percent per year.

According to a Conference Board Study on Global HR², a survey of 373 global companies showed that only 8 percent of companies are not currently outsourcing any HR activity. Training is being outsourced by about 45 percent of these companies now, and 64 percent of the companies expect to be outsourcing training within three years.

In a study of top-level *Fortune* magazine subscribers³, respondents cited human resources as one of the functional areas with the most upside potential for outsourcing, (along with legal, tax, information technology, and internal audits). Respondents saw more potential upside for outsourcing these functions than they did for finance/accounting, customer service, or administration.

Why are these functions, including human resources, particularly well suited for outsourcing? Although they are generally not the core competencies of large organizations, they are important to their companies' overall smooth functioning. They are also areas that change rapidly and require huge resource investments to stay current and efficient. Furthermore, they require specialized talent.

BEYOND COST-CUTTING — INFUSING EXPERTISE

While cost-cutting was historically the key motivation for the outsourcing partnership, it is no longer the exclusive or dominant driving factor.

The desire to secure competitive advantage through a greater focus on core business functions can lead to an outsourcing decision. When companies refocus their energies in this way, they look to strategic resourcing to gain expertise, efficiency and better cost-effectiveness in the execution of other business functions.

Many organizations today outsource for reasons unrelated to downsizing. Their reasons also go beyond cost control. These organizations see strategic resourcing as a way to become more competitive by securing specialized, high quality expertise.

In fact, the top reason for outsourcing cited by human resources executives in one survey⁴ was not financial at all. According to the over 1,750 senior-level HR professionals, the key reason for outsourcing was “to use the expertise of specialists.” Eighty-eight percent of respondents cited this as their reason.

In this survey, financial reasons were also mentioned (e.g., save money, save administrative costs), however, only 41 percent cited these as the key reasons to outsource. The most important reasons for outsourcing were to:

- use the expertise of specialists (88 percent)
- save time (54 percent)
- save money (41 percent)
- save administrative costs (38 percent)
- focus on more strategic initiatives (30 percent)
- eliminate a function that is not part of the core business (26 percent)
- redistribute increased responsibilities (21 percent)
- reduce liability (7 percent)

AchieveGlobal recently surveyed human resources executives in 92 U.S. companies with at least \$100 million in sales.⁵ When asked the major reason for outsourcing some of their training department's functions, 60 percent of these respondents said, "to gain particular expertise in a subject area."

To put it simply, today's organizations no longer feel they can, or must, develop every single area of expertise internally.

Strategic resourcing is flourishing, not as a temporary tactic, but as a critical component of long-term competitive strategy.

WHY OUTSOURCE TRAINING?

The pressures driving market competitiveness in today's global economy affect every area of the organization, including the human resources and training departments.

These pressures have reshaped the role of the training professional. Today, more than ever, training professionals are acting as organizational consultants on a vast array of business issues and concerns. They must be customer focused and strategic in their approach.

While most executives in these areas welcome the recognition that they can meaningfully impact organizational performance, they often find it difficult to deliver on this promise.

The fact is, building a top-notch training and development function is much more expensive and complex than it was a decade ago.

Consider the reasons:

- New technologies, such as Internet, intranet, CD-ROM, video conferencing and computer-based performance support, present new, exciting, and extremely costly training delivery options. Specialized knowledge and expertise is required for their appropriate application and delivery. Since these technologies are evolving at such a rapid pace, current programs and knowledge quickly become obsolete.
- Competitive pressures have forced jobs within the corporation to grow in scope and responsibility. Jobs have become more sophisticated and more specialized. There are more demands for training. Employees must become ongoing learners, constantly upgrading their skills. As a result, training organizations must quickly re-tool in order to address and support these evolving competency profiles.
- Along with a push to become more strategic, training organizations are being asked to operate in a business mode and measure their effectiveness. For training functions unaccustomed to a stringent measurement process, these efforts add entirely new layers of activities to each training implementation.
- As companies grapple with these changes, many are concluding that the human and financial investments required to keep up with the needs of the ever-changing and expanding internal training organization, are too great to justify.

Their response to this challenge is to consider whether, and where, strategic resourcing might be beneficial.

The American Society of Training & Development's 1997 Human Practices Survey⁶ describes outsourcing trends in training:

- Overall, 73 percent of the organizations surveyed reported using outside training companies in 1996.
- Over \$4 billion of the almost \$20 billion total estimated expenditure on employer-provided training went to outside training companies in 1996.
- Smaller companies outsource a higher percentage of their training expenditures than larger companies. Companies with fewer than 1,000 employees report outsourcing 72 percent of their training expenditures, while companies with over 20,000 employees report outsourcing only 49 percent of their training expenditures.
- The percentage of training that is outsourced varies considerably by industry. However, every industry surveyed expected to increase outside training expenditures in the coming year.
- Management skills training and computer skills training are the training areas most likely to be outsourced. This is probably because they call for a higher level of expertise than is available internally.
- Employee orientation and product knowledge training are the training areas least likely to be outsourced. This is probably because they require the most intimate knowledge of the organization, and may involve proprietary content.

While purchasing some training services from outside providers is quite common, there are new alternatives, including outsourcing the other activities or even the entire function.

STRATEGIC RESOURCING CONTINUUM

The research clearly shows outsourcing is becoming an attractive alternative for several activities associated with the training function.

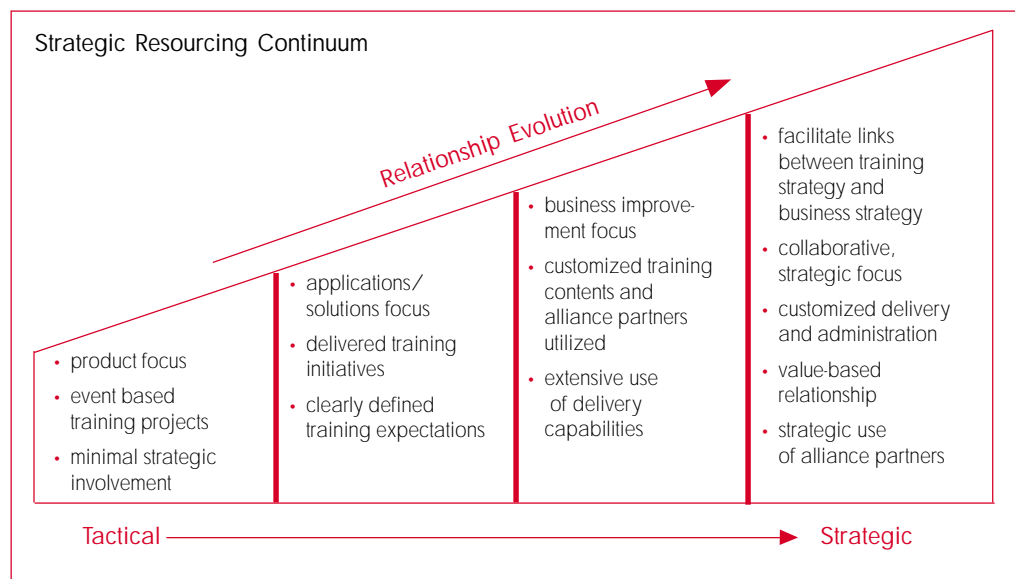
Does this mean you must choose from two possible scenarios: keeping the training function in-house or handing off your entire training function to an outside provider?

Absolutely not. An all-or-nothing approach does not represent the actual range of today's strategic resourcing partnerships.

Instead, it is more realistic to think of strategic resourcing on a continuum, as shown below.

This continuum identifies the progressive levels of partnering that may occur, depending on an organization's specific needs. At the tactical end of the continuum, your outsourcing partner may simply provide training delivery services for projects you direct. At the other end of the continuum you and your outsourcing partner may adopt a collaborative, long-range focus to link training to your business strategy.

Note that as activities move further along the continuum with an increased level of partnership, the nature of the activities becomes more strategic. Outsourcing partnerships at the far end of the continuum result in highly customized solutions designed to support an organization's specific objectives.



Organizations need to decide the level of partnership that makes sense and the specific areas to be covered by that partnership. One organization might decide to outsource training delivery of certain courses; another might decide to outsource training administration; still another might seek help with the development of electronic tools.

A few real-world examples of strategic resourcing partnerships illustrate this variety:

New products and strategic outsourcing head off competitive challenges – In order to head off competitive challenges and to be more customer driven, a huge public sector organization planned to launch five new products. To support the new product launch, the organization realized it needed to hone the selling skills of almost 1,000 of its people. With new performance expectations for sales and marketing, and limited time and resources to train employees, the agency turned to AchieveGlobal to manage the delivery and administration of this massive initiative. The result: a fast, high-quality infusion of new skills to support the new product strategy and bolster the organization's competitiveness.

The strategic outsourcing of skills training gives technology firm a competitive "upgrade" – Undergoing rapid change, a leading information technology firm sought to move the role of its training function from cost center to competitive advan-

tage. The organization needed to enhance skill development in the areas of leadership, sales, and communications. They realized they needed help with both content and training administration. This organization partnered with AchieveGlobal to develop an intranet-based system to support training delivery. The new system enabled employees to quickly get course information, match the competencies needed with the training curriculum offered, and efficiently enroll in courses. Working with a strategic resourcing partner enhanced the company's ability to instill the skills needed to boost performance.

HOW OUTSOURCING BENEFITS ORGANIZATIONS

According to a study conducted in 1997 by AchieveGlobal⁷, most training organizations who have outsourced training view the experience as positive.

How does strategic resourcing help them? Here's a closer look at the benefits mentioned at the beginning of this report:

Access to world-class capabilities and expertise

The best strategic resourcing partner is equipped to implement best practices within each training and development area, including:

- content research and development
- program delivery
- measurement
- logistics management

No matter how diligent an internal training staff may be, they cannot possibly stay current on all aspects of their own business as well as the latest

developments in performance improvement research and technology. Certainly, very few have the resources to hire specialists who can scan and monitor these developments on an on-going basis and determine their most appropriate application.

That's why organizations need a strategic resourcing partner who exercises thought leadership. They need a partner who constantly scans the environment to evaluate business and training trends, issues, practices, and innovations, and can recommend strategic solutions and tactics that will significantly impact the organization's success.

A strategic resourcing partner provides access to a vast array of expertise. Outsourcing partners can help organizations stay cutting edge without requiring them to make an up-front resource investment.

Alignment of training with business strategy

In many organizations training is not tied to business strategy. Often, training takes place because a topic is interesting or is presented in an attractive program. That is not a viable option for today's performance-driven organizations.

A strategic resourcing partner can provide an outside perspective to insure those set paradigms or training models do not blind an organization to what is important for the future. In addition, your

strategic resourcing partner, bolstered by deep understanding of your organization, can help prioritize what training is most valuable, for whom, and when. Their viewpoint, sharpened by their experience inside other organizations with similar challenges, tightens the alignment of training activities to the organization's business strategy.

Leverage of resources and processes to enable greater economics of scale

Strategic resourcing partners make substantial investments in content and technology to increase the breadth and depth of their offerings. They are better able to develop alternate delivery modes and optimize systems and processes. These partners have created alliances with other organizations who may specialize in distinct services. The strategic resourcing partner brings greater economics of scale through their size and efficiency. The result is a better variety of cost-effective training options for the organization to choose from.

Reallocation of resources to focus on core competencies

With strategic resourcing, your organization can focus on investing in those areas that truly add value to the enterprise. Freed-up capital can be invested in those functions you perform better than anyone else.

Strategic resourcing allows your internal staff to focus on the most important parts of the business. It enables your best human resources professionals to work on strategic goals rather than day-to-

day details. When internal training professionals can focus their unique expertise on core business activities, the organization moves more quickly towards its vision.

Strategic resourcing's goal is not to eliminate jobs, but rather to redirect existing personnel to more strategic roles in the organization. Instead of spending hours on end scheduling training, or assembling training materials, internal training professionals can turn their energies to analyze the organization's performance issues and work on solutions to effect their improvement.

Intelligent application of technology

While the proliferation of new technologies brings new exciting opportunities to training departments, it also creates a new dilemma. The costs of getting technology-delivered training to the people who need it can be staggering — requiring huge investments in hardware, software, system maintenance, content development, and constant updating to remain state-of-the-art.

The right strategic resourcing partner can provide the expertise to guide your organization through a maze of technology-based training. Through their

expertise, they can share the knowledge of what works and what doesn't. In addition, they can leverage the expense of building technology-based products over a vast number of organizations. This results in a more cost-effective solution than a single organization could achieve on its own.

Technology can also make the administrative aspects of training more efficient: scheduling and enrolling trainees, distributing course catalogues, maintaining training records, billing, and reporting. An outsourcing partner may already have proven, cost-

efficient automated systems in place, allowing you to devote your energy to more strategic endeavors.

Movement from a fixed to variable cost structure

Cost control is often cited as an expected benefit of outsourcing. Strategic resourcing helps control costs by converting fixed costs into variable costs. Costs for training such as staff, technology, and facilities are incurred only when the training is delivered instead of on an ongoing basis. You pay as you play. Meanwhile, you have more cash available to invest in your core business concerns.

"To begin leveraging and taking advantage of today's technological advances is cost prohibitive for most organizations. Even when organizations can afford it, they need to make informed decisions about whether their investment in training detracts from their focus on the core business that really drives revenue."

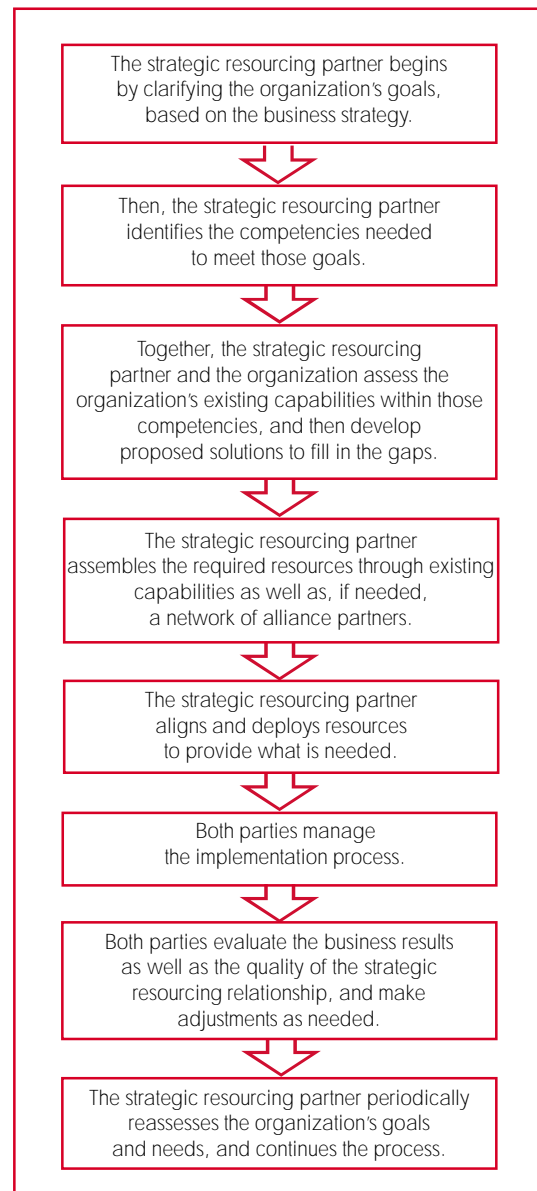
*— Ken Carnes, AchieveGlobal's
Director of Strategic Resourcing*

Will strategic resourcing lower your overall costs? It depends on the situation. Often, an outsourcing partner's experience, together with efficient, proven processes and favorable arrangements with suppliers, can increase the quality of training while decreasing training costs. Outsourcing partners can often develop new courses or new technology at a lower cost because they can prorate their product development investment for multiple clients with similar needs.

Outsourcing is associated with greater financial stability. Companies that use outsourcing are more financially stable than those that do not, states Dun and Bradstreet. According to their study, 90 percent of companies that outsource are considered good credit risks, compared with 60 percent of all companies. In addition, just 2 percent of companies that outsource are likely to pay their debts slowly, as compared with 10 percent of companies that do not outsource.

HOW STRATEGIC RESOURCING WORKS

The best strategic resourcing partners use a step-by-step approach to insure that the partnership achieves its goals. Here is one proven model:



THE STRATEGIC RESOURCING DECISION

Like many executives, you know that strategic resourcing is benefiting many organizations, but you are not sure if it is the right strategy for yours. You may also wonder how to determine which of the activities you are responsible for are the best candidates for outsourcing.

To determine where outsourcing can serve you best, look at each training activity from several angles. You will need to determine its cost, its value and how it fits in with overall organizational objectives.

Begin by looking at your organization's business goals. With the company's business strategy in mind, formulate your vision of a training and development function that meaningfully supports that strategy.

Next, examine the training function itself. Assess your internal resources and how they are being applied to the training function. What are your resource constraints? Could an outsourcing partner alleviate them? What might be the cost impact of outsourcing?

Then, look at what you consistently do best within your training and development arena. Where do you have the strongest results? Which training and development activities have the greatest impact on the organization's objectives?

Keep your areas of strength in-house. These are your "core competencies." You'll want to continue to do them well and reap the benefits they're achieving for you.

On the other hand, which training activities are "commodities," or areas in which you add little value? These are prime candidates for outsourcing, because an outside vendor might do them as well or better at a lower cost.

As you consider each training activity a possible candidate for outsourcing, be alert to any activities that should stay part of your internal operation. For example, it is probably wise to leave new employee orientation or specialized product training to your own knowledgeable staff. Seasoned and credible employees should also handle shifts in corporate strategy and other sensitive or controversial training topics.

As you weigh the outsourcing decision, look for opportunities to boost training quality. Determine the areas in which an outsider could bring greater expertise to your training function. Remember, gaining specialized expertise is the number one benefit of strategic resourcing partnerships.

In addition, ask yourself whether outsourcing a particular training activity might free up some of your own time. Instead of overseeing certain low-priority day-to-day tasks, you could focus more closely on activities that provide greater strategic value.

WHAT TO LOOK FOR IN A STRATEGIC RESOURCING PARTNER

The strategic resourcing partner your organization selects will play a large part in determining the success of your training initiative. Developing a long-lasting, productive business relationship with an outsourcing partner requires finding one with the right capabilities.

Here are some aspects to consider in your decision:

Experience, reputation, and stability

- Are they well-established, ethical and known as a leader in their field?
- Do they make continuous investments in their business so they can continue to be at the leading edge?
- Do they conduct state-of-the-art research to explore areas that are important to businesses like yours?
- Have they learned from experience which strategies will work most effectively for you and which will not?

Qualified personnel

- Do they have a sufficient number of qualified, experienced personnel to help you achieve your goals?
- Do they have stringent standards for hiring, developing and evaluating the professionals who will work with you?
- Do their people seek to be partners, not just “vendors”?

Scope of capabilities

- Do they have the resources to meet your time and volume needs?
- Do they have a breadth of high quality curriculum offerings in the competency areas important to your business?
- Can they customize training content and strategy to meet your unique objectives?
- Do they consistently use “best practices” to deliver training and delivery support?

Investments in technology

- Are they leaders in investigating how to best apply technology to enhance performance?
- Do they recommend technology solutions only when they add value, not just to follow a trend?

Measurement and assessment

- Do they have proven, customizable measurement tools to improve performance?
- Do they also have tools to assess and improve the quality of the outsourcing partnership?

Business alliances

- Do they maintain alliances with organizations that are tops in their respective fields?
- If additional resources are needed, will these alliances enable them to secure these resources smoothly?

MAXIMIZING THE BENEFITS OF STRATEGIC RESOURCING FOR YOUR TRAINING FUNCTION

At its best, a strategic resourcing relationship evolves from a customer/supplier contract to a mutually trusting agreement focused on achieving intended results.

To get to that point, it is important that you and your strategic resourcing partner effect a smooth

transition for your organization. When you introduce strategic resourcing properly, you quickly allay any initial fears and foster a collaborative spirit between the two organizations. Well thought out transition plans pave the way to long-term, effective partnerships.

Here are five recommended steps to set the stage for a smooth transition:

1. **Get up to speed.** The outsourcing partner must get up to speed on the organization's culture and learn about the unique values, policies, and approaches that really matter in the organization.



2. **Build internal trust and support.** The outsourcing partner must build internal trust and support within the organization. This is accomplished by identifying key individuals within the organization who will act as advocates. In addition, the outsourcing partner must develop trusting relationships with internal employees who have the expertise and experience to help achieve the desired outcomes.



3. **Define roles and responsibilities.** The outsourcing partner and client organization must work together to define roles and responsibilities. It is especially important for both to be clear about the degree of control each will retain. Often a strategic resourcing relationship changes the training professional's role from that of a training program administrator to a training vendor manager.



4. **Identify key individuals.** The outsourcing partner identifies key internal individuals who will focus on achieving the agreed-upon objectives. The staff members selected should be good at sharing control of a project, able to work successfully in a team environment and adept at influence management.



5. **Designate a communication point person.** Finally, the two organizations designate a communication "point person" within each organization. These people are responsible for ensuring frequent, meaningful, in-depth communication inside and between the two organizations. Ongoing communication facilitates the resolution of any conflicts that may arise.



To minimize risks and problems that can arise in strategic resourcing partnerships, our research suggests the following:

Make sure you are clear on what is driving your outsourcing decision. If the goal is to save money, be sure you consider this objective in terms of your larger strategic priorities. A truly “strategic” resourcing initiative can offer competency-specific expertise, service quality improvements, enhanced core business activities that set you apart from the competition *and* save your organization money.

Clarify key responsibilities and accountabilities with your strategic resourcing partner. At the highest levels of a long-term strategic partnership, both parties have accountability for results. As mutual risk-takers, both parties agree up front that they will work towards achieving agreed-upon goals, and that each will contribute their best efforts towards success.

Make sure you share your understanding of your organization with your strategic resourcing partner. The better your partner understands your company and its business strategies, the faster your partner will be able to contribute to their success. At the highest levels of strategic resourcing, a resourcing partner actually becomes part of the fabric of the customer organization.

Maintain open, ongoing communication. Be honest; allow issues to surface and aim to resolve differences through mutual problem-solving. Maintain flexibility to meet changing conditions.

Continuously and systematically measure and assess the success of your relationship and the outsourcing plan. Since strategic resourcing is a relationship rather than an event, it is important to monitor, to evaluate, and to work on its continuous improvement. This enables you to identify and address any performance gaps immediately.

SUMMARY

Outsourcing, or strategic resourcing, is becoming a widely used tool to boost an organization’s competitiveness. It is no longer a short-term measure associated with downsizing. Instead, today’s organizations view outsourcing as part of a planned strategy that enables them to focus on what they do best, while benefiting from outside expertise in areas that are not their strengths.

Like other corporate functions, today's training departments are finding that maintaining world-class capabilities in all facets of training requires a tremendous investment of financial and human resources.

Strategic resourcing enables organizations to:

- accelerate the achievement of their goals
- control expenses by changing fixed costs to variable costs
- redirect the efforts of the internal staff to the most important parts of the business
- promote the intelligent application of technology to solve performance issues
- achieve a tighter linkage between training and business strategy

The decision on whether or not to outsource, how much to outsource, and what to outsource is unique to each organization. Since strategic resourcing is not a one-time event, but the evolution of a long-term and trusted business relationship, it is important to select an outsourcing partner who has complementary capabilities and values.

ABOUT ACHIEVEGLOBAL

AchieveGlobal is an exciting combination of three of the world's leading professional skills development organizations: Kaset International, Learning International and Zenger Miller. With offices throughout North America and in 38 countries around the world, we help organizations translate business strategy into business results through superior sales, customer service, leadership and teamwork.

AchieveGlobal's breadth of capabilities and depth of experience is unmatched. We are a single resource with one goal: to do more for you.

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