

Introduction

The Growth of Outsourcing

Outsourcing is not a new phenomenon. For years training managers have engaged keynote speakers for conferences and contracted for design, delivery, and evaluation of training programs. More recently they have outsourced executive coaching, benchmarking, culture change initiatives, and the development of enterprise-wide learning systems. There are even a small, but growing, number of firms that have outsourced their entire training function.

Recent studies confirm the rise of outsourcing.

- ASTD's *2005 State of the Industry Report* shows a steady increase in the percentage of learning expenditures that go to outside services, from an average of 20 percent in 1999 to 27 percent in 2004, with an expected increase to 29 percent in 2005 (Sugrue & Rivera, 2005).

- *Training* magazine's 2005 Industry Report indicates that the percentage of organizations that outsourced some of the design of their traditional training (as opposed to technology-based training) rose from 35 percent to 38 percent over the previous year. Of all the organizations that outsourced technology-based training, 35 percent outsourced some of the delivery, an increase of 4 percent over the previous year, and almost 44 percent outsourced some of the development of this training, a 3 percent increase over the previous year (Dolezalek, 2005).
- Corporate, government, and other organizations are turning toward training outsourcing in record numbers. The field is currently growing at a 15 percent clip, compared with an 8 percent rate for the training marketplace overall (Harris, 2004, p. 36).

Why Outsourcing Is Increasing

Factors have converged to make the field ripe for more outsourcing. Organizations today face challenges such as:

- Volatile economic conditions
- Globalization
- Increased competition
- Technological advances
- Mergers and acquisitions
- Need for greater speed and reduction in cycle time
- More knowledgeable customers with higher expectations
- Greater diversity among employees
- Gaps in the leadership pipeline

These pressures have caused shifts in organizational strategy, business processes, and systems. The cultural implications are enormous as employees

adapt to the magnitude of change. How do these trends impact training and development and lead to increased outsourcing? What other issues have contributed?

Increased Demand Due to Organizational Change

Senior leaders recognize that it takes knowledgeable employees to respond to all the change. In a newly merged company, managers must learn to lead larger teams as their areas of responsibility expand. The need to reduce cycle time requires employees to learn new business processes and systems. Increased diversity may mean that employees must learn to manage conflict. The result is an increase in requests for training.

Training, once on the periphery, has been elevated in many organizations to a key business strategy. Leaders recognize that training professionals are important business partners, and training is needed for the organization to realize its objectives. Yet years of downsizing have left training departments operating with limited resources. There are too many projects and not enough time. The response is to outsource, expanding the capability of the training department and enabling it to meet the needs of the line organization in a timely fashion.

Advances in Technology

It is not only the *number* of projects that have caused more outsourcing, but also the *nature* of the projects. With advances in technology, more training programs are technology-based. The internal trainer may not have the expertise to develop a technology-based solution. Due to cost, the organization may be reluctant to build internal capability to do this type of course development. Advances in technology have also made learning management systems (LMSs) readily available for administrative functions such as registration and tracking. The purchase of an LMS is comparable to making an enterprise-wide software decision, a decision that may be beyond the capabilities of the average training manager.

Need for Expertise

When tracing outsourcing decisions, it is not uncommon to discover that the staff of the training department may not be prepared to solve certain organizational problems. With the pace of change, new training managers are sometimes forced to operate at sophisticated levels before they have ample opportunity to develop in-depth knowledge of the field. Resources are limited. Under these conditions, it is natural to outsource the development of a senior leadership program or a comprehensive evaluation project. One of the benefits of outsourcing is that involvement with external consultants helps build the capability of the training organization.

A training department may choose to outsource even if there is a staff of highly skilled training professionals. For example, a manufacturing company commits to an organization-wide process improvement program. There are significant training needs to support this strategic initiative. Although a top performer, the training manager does not have the required expertise. The best decision may be outsourcing.

Need for External Perspective

There are times when an external and objective perspective would benefit the organization. For example, it is usually best for a consultant to facilitate a team meeting for the top leadership of an organization. The training manager, even if highly regarded, would probably have difficulty confronting the issues in the same way an external consultant could. There would be too much at stake from a political standpoint for the internal and less risk for the external.

Cost Savings

Outsourcing can help organizations reduce expenses, gain efficiencies, and focus on the core business. For years organizations have outsourced human resource functions viewed as non-core, particularly benefits and compensation. Because training is about people, who are the core of most businesses, there has been a reluctance to do large-scale outsourcing in this area.

However, to reduce cost and gain efficiencies, large-scale outsourcing in training is beginning in administrative areas, including registration, tracking, evaluation, and operations. Rather than making large investments in technology, outsourcing providers let the organization pay as it goes, fronting the money and getting it back in fees over the life of the contract (Hall, 2004).

A small number of organizations have outsourced the entire training function, including design, development, and delivery. In large-scale outsourcing, trainers often shift employers and begin working for the outsourcing provider. An individual or a team remains to work in partnership with the external provider to manage the outsourcing relationship. Large-scale outsourcing has enabled organizations to reduce headcount and save payroll expense.

Benefits Outweigh the Risks

Training managers who outsource face considerable political and financial risk. They may make poor consultant or vendor selections. They may inadequately prepare consultants to work in their organizations. Consultants may be unable to establish credibility with management or develop programs that fit the culture. IT partners may refuse to implement a vendor's technology-based solution, because they were not involved sufficiently in project planning. There are many pitfalls, and projects can easily go awry.

Although the risks are significant, outsourcing brings significant organizational and personal benefits to those who do it well. Organizations benefit through:

- *Thought leadership:* Access to the latest thinking about learning methodologies, the best demonstrated practices in the field of learning and successful outsourcing strategies
- *Reduction in cycle time for developing learning:* Ability for learning professionals to deliver faster results to their internal business clients
- *Access to greater objectivity:* Ability of the external provider, less influenced by internal politics, to render more objective assessments and develop learning that will meet these needs

- *Reduction of fixed costs:* Ability of an organization to increase or decrease outsourcing depending on business conditions, allowing the organization to operate with smaller permanent staffs who can feel greater job security (Anderson, 2000).

Training managers who outsource typically grow as professionals. While expanding the capabilities of their departments through outsourcing, they expand their personal capabilities. They have the opportunity to learn new content and approaches. In the outsourcing partnership, they often learn skills that help them interact more effectively with senior management and make change happen more successfully in their organizations. They also can learn to become better business partners as they collaborate with their external vendors and consultants. Outsourced initiatives are usually breeding grounds for rich development experiences.

Although the benefits of outsourcing are significant, the stakes are high. It is critical to minimize the risks in the outsourcing equation. The differential between a successful outsourced project and one that is not is a highly skilled training manager, an individual who can make wise outsourcing choices and who can successfully manage outsourced projects.

Purpose of This Book

Although there are numerous books written to teach external consultants how to work more effectively with their internal training partners, very little is written to teach training managers the skills needed to successfully manage complex projects when external consultants are involved.

This book has been written to demystify outsourcing and the relationship between training managers and their outsourcing partners. It will strengthen the skills and build the confidence of training managers who outsource. They will learn how to navigate complex projects, working effectively with vendors and consultants to achieve results.

The book is about expanding capability on many levels. Training managers who utilize the book can expand their capabilities as outsourcing partners.

Through outsourcing, they can expand the capabilities of their departments. Finally, their outsourced initiatives help expand the capabilities of their organizations.

The book has broader application and will be helpful to any professional who seeks the services of outside vendors and consultants to help solve organizational problems. These might include human resource managers, internal organization development consultants, purchasing managers, information technology professionals, and any business manager who is involved in outsourcing. External consultants will find value as well. They will gain a greater understanding of the role of managers, the pressures they face, and how best to build partnerships. Finally, students and faculty in the fields of human resources, training, psychology, and business will get a glimpse into organizational life and a head start developing capabilities required for future success.

An Overview of This Book

This book responds to the question, “How can training managers take a strategic approach to outsourcing, successfully manage outsourced projects, and achieve objectives while maintaining outsourcing partnerships?” As a comprehensive toolkit, it provides principles, practical tips, and tools to build the self-confidence and skills of training managers.

Part 1 builds the foundation. It introduces current trends in outsourcing and guiding principles that should govern every outsourced project. This section also introduces a strategic sourcing decision model to help managers make wise choices about what to outsource and what to retain.

Parts 2 and 3 guide managers step-by-step through an outsourced project, from identifying potential outsourcing partners and negotiating contracts through design, delivery, and program evaluation. With an emphasis on creating true partnerships, these sections provide numerous examples, advice, practical tools, and techniques that can be applied to any outsourced project.

Part 4 discusses special situations in outsourcing, such as how to deal with conflict, inheriting a consultant, and working with multiple consultants.

Part 5 assists managers in summarizing what they have learned and helps them build a development plan to expand their capabilities as an outsourcing partner.

Numerous stories bring the challenges of outsourcing to light. All are true. They are based on the experiences of the author and several of her colleagues, both internal training managers and external consultants. Because these professionals did not want their names and their organizations revealed, this information has been kept confidential.

How You Can Use This Book

This book is a flexible resource. Worksheets and samples are provided on the accompanying CD to help advance your projects and partnerships. The CD icon indicates that a resource is available on the CD. These can be tailored to the needs of any project. Most worksheets are designed to be completed jointly with your outsourcing partners.

If you are relatively new to outsourcing, you will probably want to follow the book in a linear fashion. Use it as a guidebook as you work through the phases of an outsourced project. If you are further along on a project, go directly to the section of the book that is most relevant. In either case, you may want to provide a copy of the book to your outsourcing partners.

If you are experienced, begin with Chapters 2 and 3 to get a sense of the philosophy of outsourcing that is presented. You will probably find Chapter 3, which contains the Strategic Sourcing Decision Model, particularly interesting. It will help you reflect on the quality of previous sourcing decisions you have made and will be useful in making future decisions. Then review the chapters that you believe will be most valuable to your future outsourcing.

If you are an external consultant, you might consider this book as a gift to clients. It would make a strong statement about the value you place on developing partnerships.

Threaded throughout the book is a personal learning journal. It is also available on the enclosed CD. If your goal is to expand your capabilities as an outsourcing partner, the learning journal will help you reflect on what you

have learned and will support you in building a development plan for outsourcing success.

A Few Definitions

Before proceeding, it is helpful to define some terms that are used in this book.

Outsourcing is defined as obtaining the services of an external provider to solve an organizational problem. That service could have been performed by personnel within the organization. However, the organization decides it is better to contract for services from the outside in order to reduce costs, save time, or gain expertise or objectivity.

Out-tasking refers to hiring an external provider on a limited basis to do a particular project, such as design or delivery of a training program. Today many training professionals have begun to use the term out-tasking to differentiate it from large-scale outsourcing, when a firm takes complete responsibility for and control of selected learning processes or takes over the entire training function (DeViney & Sugrue, 2004).

Since most professionals still use the term outsourcing, whether the initiative is large or small, outsourcing will be used in this book regardless of the size of the initiative.

Training managers is used for the sake of simplicity to represent all job titles in the field of training, organization development, and human resources. It encompasses new job titles, such as learning specialist and performance consultant, that have evolved as training departments have shifted to performance consulting models. It is not intended to indicate a level in the organization and, therefore, might just as well refer to a trainer as it does to the chief learning officer. The term also represents any professionals in business, government, or the non-profit arena who need to outsource.

Consultants or *consulting firms* are used for simplicity to refer to all outsourcing partners. These terms are meant to include individual consultants, larger consulting firms, vendors, suppliers, and any providers of outsourced services. The term *consultant* was selected intentionally because it often connotes partner.

Insourcing, the opposite of outsourcing, is a term that has been coined by the author for this book and is defined as retaining complete responsibility for a project. The manager who insources completes the project without help from an external partner.

What the Book Is Not

This book is not intended as a comprehensive guide to teach the basic principles of training and development. Its focus is on aspects of training and development that relate to outsourcing. However, in the process of reading this book, the training manager no doubt will be exposed to many of the basic principles and practices important to running an effective training organization.