

Carve Out Training?

by Kathryn Tyler

Outsourcing the entire training function is a huge change that—when handled properly—can yield improved services and decreased costs.

For many companies striving to rein in costs and improve core services, outsourcing pieces of the organization has helped meet those goals. HR professionals are no strangers to this business strategy, particularly in outsourcing parts of the training function.

But as the pressure builds to cut costs further and to focus solely on core competencies, companies are turning to the growing trend of business process outsourcing (BPO), or total outsourcing of an entire function. In HR, the BPO industry is expected to grow from \$2.5 billion in 2003 to \$15 billion next year, according to estimates. In training specifically, industry experts predict that within 10 years, half of all trainers will work for outsource providers.

Training can be a perfect candidate for BPO because, as a function, it's not seen as a revenue-producer and much of it is administrative. In addition, internal training budgets have been decimated in recent years, squeezing the time and resources in-house trainers can devote to content development and efficient delivery methods in an increasingly global marketplace.

“Outsourcing all training means comprehensive, end-to-end outsourcing—from the management of the training function to the design, delivery and reporting,” explains Doug Harward, CEO and managing partner of The Exceleration Group, a training outsourcing consulting firm in Durham, N.C. “Essentially, it is a carve-out of the training function.”

A 2002 report by The Conference Board found that only 2 percent of companies outsource the entire training function. That's low compared to 55 percent of companies that outsource part of the training function, usually the administrative tasks.

But, due to cost-cutting mandates, the number of companies exploring training BPO as an option is on the rise. “The number of requests for proposals has tripled in the last 12 months,” Harward estimates.

Training BPO vendors and even HR professionals involved in the process sing the praises of this strategy. But they all caution that its success depends largely on a company's motivations, its industry, the type of training it conducts and how the process is managed.

As HR searches for ways to contribute to the bottom line, it can't ignore the training BPO trend. When the strategy works, it can pay off for the company, its employees and even HR itself.

The Benefits

Carving out the entire training function and handing it over to a provider can yield myriad benefits for employers. Training BPO can:

- **Produce cost savings.** The potential for cost savings is the initial reason most companies investigate outsourcing. “The supplier reduces costs through consolidation of services, re-engineering of processes, automation of administration and delivery, leveraging economies of scale across multiple clients, and driving deeper vendor discounts,” explains Tom Starr, senior principal of learning services at Convergys Employee Care, a training outsourcing firm in Media, Pa.

Brad Johnson, co-founder and executive vice president of Intrepid Learning Solutions, a training outsourcing company in Seattle, claims his company can save clients 30 percent to 40 percent on their training costs.

Companies also avoid large capital expenditures. “It’s balance-sheet management, the movement of fixed assets—buildings, computers, software—to variable,” Starr explains. “Services can be paid on a per-use basis.” With internal training, “the supplier bears [the] risk of up-sizing or down-sizing as demand fluctuates.”

- **Deliver high-quality, efficient services and products.** By outsourcing training, companies can focus resources on improving their products. When analyzing its decision to completely outsource its training function, Avaya, a communications company headquartered in Basking Ridge, N.J., realized training development and delivery were not its core competencies, says Suellen Roth, vice president of global policy, employee retention and Avaya University, a division of outsource provider Accenture Learning of Minneapolis. To ensure seamless delivery to its employees, Accenture named the division Avaya University.

Tom Kraack, managing partner at Accenture, explains his organization’s focus on one competency benefits clients: “We run content development centers in India that employ hundreds of people developing content and methodology in a factory-type setting. That is hard for many companies to duplicate.”

- **Provide cutting-edge technology.** Another benefit of this narrow focus is that the BPO provider stays on the cutting edge. “With recent improvements in technology, there are a lot of different ways to provide knowledge,” says Johnson. “It’s hard to stay abreast of all of the changes when you’re a small internal group.”

“This is all we do; we don’t get distracted,” Johnson adds. “We find best practices and methodologies that can be deployed for our clients.”

- **Expand global training capabilities.** “One reason [to totally outsource training] is capabilities and resources—global distribution and call center services 24/5,” says Kraack.

Avaya wanted to expand globally and recognized the benefits of globalization in outsourcing its training function. “We needed to quickly respond to new markets in countries where we hadn’t been before. We had a lot of language requirements. Our training department was not suited to respond. This drove our decision to outsource,” says Roth.

Who Should Outsource?

Some companies are better suited to outsourcing than others. Currently, nondurable-goods manufacturers, such as food-processing, chemical and plastics companies, are outsourcing training most often. Financial and insurance companies are outsourcing training the least, according to Brenda Sugrue, director of research for the American Society for Training & Development, a training association in Alexandria, Va.

Johnson maintains that industries with a lot of compliance training are prime candidates for outsourcing. “Pharmaceuticals and technological manufacturing demand a lot of training to stay abreast of new techniques,” he says.

Starr recommends that companies in highly cyclical industries such as high tech consider outsourcing because in-house training makes it difficult to respond to economic conditions. “Organizations that have dispersed locations and global operations highly benefit from online and alternative delivery methods” that BPO vendors can provide more efficiently, says Starr.

Companies with a lot of industry-generic training—for instance, safety training—are great opportunities for outsourcing, according to Harward.

In contrast, few retail companies outsource training because their needs focus on certain product information, says Johnson. “Companies with a high degree of proprietary content in their training are not good targets for outsourcing services,” says Harward. Neither are companies with “training that is very customized to the learners.”

Another deciding factor may be the target audience. Some companies are considering training BPO because outsourcers are educating not only employees but customers as well, Harward says. Customer education, which typically has been managed by marketing, would now fall under training. For instance, Harward says, “pharmaceutical companies are constantly looking for new ways to better educate their customers on the risks and rewards of using drugs properly.”

Avaya has experienced this phenomenon. “More than half of our training is delivered to external people—business partners, customers and distributors,” says Roth.

Performing a cost-benefit analysis will help you decide whether outsourcing is right for your company. “Consider the short-term and long-term costs of continuing to provide in-house training solutions vs. using an outside firm,” says Lesley Pool, spokesperson for ACS, a BPO and information technology firm in Dallas. “Would it make more sense to

buy rather than build this capability? Do you have the in-house expertise and resources to effectively meet your objectives as your organization grows?”

It's important to make the right choice regarding outsourcing, because it is difficult—if not impossible—to bring training back in-house. According to a report by The Conference Board, fewer than 1 percent of companies have brought HR functions back in-house after outsourcing them because it would require hiring a new training staff and re-engineering the training function. For instance, in Avaya's case, it would mean hiring 200 internal trainers at once. (See “Where Do Trainers Go?”)

The Marriage

Experts differ as to whether it is better to partner with an outsourcing company that specializes in training or one with which you can bundle the rest of the HR functions.

“In the past, the practice was to outsource training as a discrete function,” reports Pool. “Consequently, training, payroll, benefits administration, information systems and a variety of HR functions were being sourced to a variety of vendors which lacked consistency, economies of scale and quality control. Today, the trend is to bundle many of the human resources functions together [including training] and outsource them to a single provider. The practice is shifting to the ‘one-stop shop’ approach.”

Accenture's Kraack disagrees with this practice. “There is a fundamental difference between HR outsourcing and learning outsourcing,” he argues. “HR outsourcing tends to focus on transactional processing, such as payroll and HRIS [HR information services] hosting. You're never going to see one of those firms understand end-to-end content development and delivery.”

Johnson agrees and points out that, unlike outsourcing payroll administration, outsourcing the training function is more than just outsourcing transactional tasks. Training concerns the “intellectual value of a company. Look at a company that focuses on training outsourcing. Why would you want to outsource to a company for whom training is not their core business either?” says Johnson.

Making the right decision is imperative as contracts typically last for five to 10 years, and it can be difficult to change partners.

According to Edward Trolley, co-author of *Running Training Like a Business* (Berrett-Koehler, 1999) and vice president of outsourcing for Knowledge Planet, a training outsourcing company in Wheaton, Ill., the partner requirements are clear: The cultures and values must be compatible; the vendor must have experience in your requirements; and it needs to possess the necessary technical and technological capabilities.

Company and outsource employees will be working side by side for years. A highly structured, formal company whose employees wear suits to work may not mesh well with a casual, informal partner whose employees wear jeans. Also, you should consider

whether you would want a partner teaching your employees values that the company does not advocate.

Another important criterion is experience. “Given the relative immaturity of the learning BPO industry, extensive client experience is hard to find,” says Starr. “However, it is possible to identify a partner who has experience in critical components of outsourced training.”

Garry J. DeRose, author of *Outsourcing Training and Education* (ASTD, 1999) and executive director of College Center of the Finger Lakes, an education and training center in Corning, N.Y., says HR professionals should “only believe the supplier has skills that have been demonstrated.”

The third thing to look for is “a partner with the appropriate courseware, size and infrastructure to support training needs effectively,” says Pool.

Starr agrees and adds, “Organizations need to assess the provider’s ability to support a global infrastructure, as well as multi-language capabilities.”

Finally, establish cost. DeRose recommends determining your true in-house costs for comparison. Also, it’s important to detail what is included to avoid hidden charges. Set a specific level of service and metrics for measurement, such as training requests initially addressed within 24 hours. No matter whom you choose, DeRose says, plan on phased implementation and don’t count on getting significant value for at least 12 months.

“One of the risks is you don’t get the governance straight,” says Kraack. “You don’t clearly identify what should stay and what should go, with good rationale behind it. Managing the organizational change issues is significant. The first three to six months are critical. You don’t want to have quality drop off.”

Harward warns, “If you don’t structure the deal correctly and your business grows [quickly], you could end up paying more for the same thing.”

HR’s New Strategic Role

Outsourcing the training function dramatically changes the HR department. Experts say the change can be for the better. “The training roles left behind will be more strategic,” says Johnson. “There will also be a partner management role,” or a liaison to the outsourcing company.

“It helps the HR executive focus on strategic activities,” adds Harward. “A lot of training is day-to-day delivery. When you outsource the training function, you can focus on the strategic, curriculum design. You can drive and define what type of learning and skill sets employees need to be successful. Then you ask your outsource partner to create learning products to meet those needs.”

For instance, at Avaya, where only six people remained, “our responsibility, in addition to relationship management, is to ensure that training continues to align with business priorities,” says Roth. The remaining staff also manages the classrooms because they are on Avaya’s premises.

One success indicator is when employees don’t realize training has been completely outsourced. “It is totally seamless,” says Johnson. “Whenever there is a training need, a customer engagement person on site acts upon it.”

And that’s the goal, right? To deliver high-quality training at a reasonable price without losing the personal touch of an in-house training department.

Regardless of whether you feel apprehensive or excited about the prospect of outsourcing training, you need to pay attention to the trend. Says Trolley: “You owe it to your company to look at ways to improve your value and decrease costs.”

Where Do Trainers Go?

Outsourcing the entire training function means the vast majority of the training department staff will lose their jobs. In the best-case scenario, your trainers will become employees of the outsourcing company.

Brad Johnson, co-founder and executive vice president of Intrepid Learning Solutions, a training outsourcing company in Seattle, tries to make that scenario become a reality. “We provide the existing trainers an opportunity to join Intrepid,” he says. “We try to retain that product and service knowledge. We don’t want that intellectual capital to go out the door.”

Most trainers are excited by the prospects of joining an outsourcing company, Johnson says. “People who love training and are skilled at it like to be in an organization where training is all we do.”

Edward Trolley, vice president of outsourcing for Knowledge Planet, a training outsourcing company in Wheaton, Ill., agrees: “For the training people, it’s really a good deal. They have different, significant career opportunities.”

Adds Tom Kraack, managing partner at Accenture Learning in Minneapolis, “For many people, it is an opportunity to ply their craft in a highly professional environment.”

That certainly seems to be the case with Avaya. “We bundled up 200 [in-house] training people, and they became Accenture employees,” says Suellen Roth, vice president of global policy, employee retention and Avaya University, a division of Accenture. “Every one was offered employment. We didn’t lose many. The transition was remarkably smooth. Two-and-a-half years later, most of the 200 people are still Accenture employees.”

If the outsource provider's trainers once worked for your company, that would help minimize some of the concerns regarding culture compatibility and business knowledge.

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