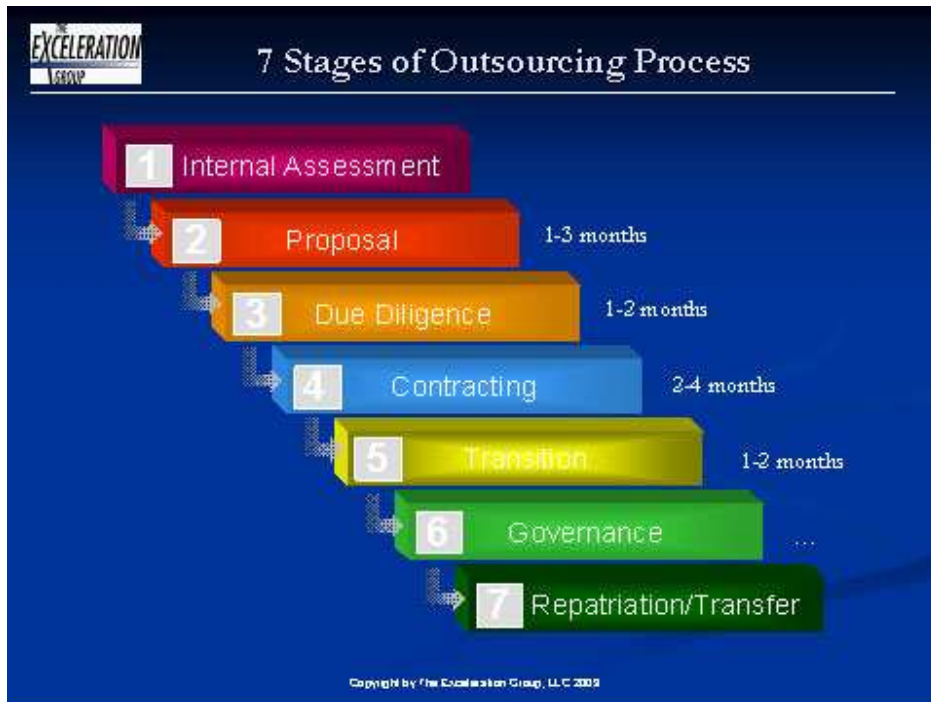


## Training Outsourcing Process

Organizations most successful in outsourcing their training function follow some variation of an industry recognized seven (7) step process. The "Seven (7) Stages of the Outsourcing Process" include finding potential partners, gathering and sharing data necessary for structuring a deal, negotiations and documentation of a contract, handing over the assets and resources to the partner and the on-going management of the relationship. A short description of each stage of the process follows:



### Stage 1 Internal Assessment

Prior to looking to the external market for possible suppliers, the buying company must conduct an internal assessment regarding what activities should be included in an outsourcing model. This is often times the most difficult step because it may involve consolidating decentralized training functions, identifying the outsourcing leadership team, and developing a detailed project plan.

### Stage 2 Proposal

After determining outsourcing may be a strategy beneficial to their organization, executives seeking to outsource training services must identify which outsourcing supply companies have the capabilities that best match their needs. This stage involves the documentation of the internal process and the creation of at least one of three types of documents used for going to the external market. These are the Requests for Information (RFI), Requests for Proposals (RFP), and Requests for Quotes (RFQ). Each of these have their own purpose for getting information from the supply side company.

- Requests for Information – an RFI is the least used document by demand side companies but very important if the familiarity of outsource supply companies is low. An RFI is created by the demand side company for the purpose of getting service and resource capability information from the supply side companies. The RFI document is not intended to request methodology or pricing information specific to the operation in question. The document is generally 3 to 5 pages and provides an executive summary of the operation to be outsourced and a lists of capabilities information requested.
- Requests for Proposal – an RFP is the most widely used document in the proposal stage and the most important. It is intended to provide the supply side company with the necessary information needed to submit a comprehensive and definitive approach to outsourcing the learning function. The higher the quality of the RFP, the higher the quality of proposal received from the supply side company. RFP's include an executive summary, a detailed description of the process to be outsourced, volume and value metrics of the past 1-3 years operations, specific process and performance expectations of the outsourcing supply partner, a responsibility matrix defining expected responsibilities of both the demand side company and the supply side company, and proposal guidelines to be followed by the proposing companies. RFP's are usually 15 to 30 pages in length, depending on the complexity of the operation. High level pricing information is generally solicited in the RFP although specific pricing to be used for contracting is generally not valid at this stage.
- Requests for Quote – an RFQ is usually the last document created for the purpose of getting specific pricing and/or cost information proposed. The quality of this activity and the accuracy and credibility of the quote is dependent on the sophistication and success of the earlier proposal activities. Often times, an RFQ is not requested until after some level of Due Diligence has been completed. It is not recommended that an RFQ be done without the completion of an RFP.

### Stage 3 Due Diligence

Due Diligence is the process of sharing and gathering data and intelligence about each others capabilities. It is for both the demand and supply side companies to get to know each other and to evaluate information associated with forming a solid and structured relationship. In large and complex outsourcing engagements, the due diligence activity becomes as much of a legal activity associated with the tracking and disclosure of specific reports, documents, databases, etc. Some companies may have the need to create a due diligence library where all confidential documents are checked in and out depending on the level of sensitivity of the information. In smaller engagements, this process is less formal

### Stage 4 Contracting

The contracting stage involves the negotiations of specific terms of the agreement and the documentation of those terms into a formal document. This stage of the process is often the most strategic and most demanding of both parties. It is often the most lengthy depending on the sophistication, scope, and scale of the agreement. There are two forms of contracts in most corporate agreements. The first is a Master Services Agreement (MSA) and is the highest order document. It defines terms generic to each functional area of the agreement. The second is a Service Level Agreement (SLA) which defines specific deliverables and service level requirements. Depending on the complexity of the pricing, a pricing schedule is included in the SLA.

### Stage 5 Transition

After the contract is signed, the two partnering companies must begin the process of transitioning resources and responsibilities from the buyer company to the supplier company. Depending on the terms of the agreement, the transition stage varies widely but most always includes communications to employees and clients of training. Complexities include whether employees are being transferred from one company to another, if assets are being purchased, if vendor agreements are being assigned, etc.

## Stage 6 Governance

The ongoing activity of managing the business and governing the relationship is the longest stage of the outsourcing relationship. The term of contracts vary. Many are recurring agreements from as short as 1 year to as many as 5 or more years. Governance includes activities associated with performance measurement and grievance. Many companies establish governance teams or 'councils' to set and communicate strategy and measure partner performance.

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## Stage 7 Repatriation

Because no relationship is forever, the last stage of any outsourcing partnership involves the repatriation or transfer of responsibilities. It is recommended that an outsourcing contract define an exit strategy so many of these conditions are identified prior to engagement. Sometimes repatriation comes due to non-performance or changes in business conditions not foreseen in the contracting stage