What Capabilities Should I Use to Select a Training Outsourcing Supplier?

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At TrainingOutsourcing.com, we are frequently asked by training buyers to recommend companies they should send a Request for Proposal (RFP) to bid contracts for outsourced learning services. To best help them, first we seek information about their critical business drivers.

Our approach is to understand their business drivers or objectives for considering outsourcing of learning business processes or services. Most often, companies respond by stating that they are seeking to reduce costs. Another common reply is to get access to experienced and talented resources. Sometimes, it is to increase revenues for the business by extending the reach of their customer training activities.

A common denominator of all companies seeking to outsource is that some financial measure is involved in the decision. In summary, the drivers for outsourcing any business process have a foundation in an enterprise-wide goal to be more financially sound or competitive.

Secondly, we seek to understand what activities the business seeks from an outsourcing partner and why. This is where the complexity of outsourcing strategies begins. Whether the processes to be outsourced are considered non-core competencies of the organization, or that they are more available on the open market, or they are simply activities that the company chooses not to operationally perform, the business partner must be an appropriate match.

To help companies determine what criteria to use in selecting and evaluating a prospective partner, TrainingOutsourcing.com's research has identified the most sought after capabilities of training suppliers. This list is not presented as all inclusive nor is it a list that suppliers must be "best in class" in each category. It is most importantly a list that buyers can use to identify a potential partner's capabilities that are needed to best meet their learning needs.

A prudent buyer understands that some companies employ a marketing strategy that emphasizes the capability to be a comprehensive, end-to-end supplier of services. They claim to be "best in class" in some of the capabilities and fully competent in others. Other training companies market themselves as specialists in one or several of the capabilities. One approach is no more right than the other. It is the responsibility of the buyer to determine the learning outsourcing partner that best fits its particular situation, needs, and culture.

Differentiating Capabilities of Training Outsourcing Service Providers
Below are brief descriptions of the 13 capability areas that have been identified as critical for consideration by training buyers and as core competencies of training outsourcing service providers.

1. **Diagnostics** (Also referred to as analysis and strategic consulting) - In almost all training business process outsourcing (BPO) engagements, the customer expects the supplier to leverage their experience and knowledge gained from other relationships to make recommendations on how to improve their business. Some expect a supplier to perform in a manner similar to a doctor - to assess the current health of the customer's organization, to diagnose the cause of the problem(s), and to prescribe actions to remedy or improve the situation. They expect the supplier to recommend ways to strategically integrate the learning process with overall business objectives and to use accepted data analysis techniques to measure processes and to drive performance improvement.

2. **Strategic Alignment** - A supplier's ability to design learning interventions, programs, and processes in a way that strategically aligns training with business objectives is critical. The processes they employ and their knowledge of how to implement best practices are often misunderstood. When selecting a supplier, the strategic alignment capability should be scrutinized because you, as the buyer, will have to answer to your executive team sometime during the relationship on how you are aligning learning to corporate strategy to the benefit of the overall enterprise.

3. **Content Development** - The process of instructional systems design and training content development is frequently the heart and soul of an outsourcing engagement. Content development includes how to manage a portfolio of learning products and services and how to best keep those solutions fresh and up-to-date. It involves needs assessments, curriculum and instructional design for classroom and media-based learning programs, and an on-going rationalization process to eliminate out-of-date content.

4. **Portfolio Management** - Training suppliers have traditionally been product oriented and course driven. Their ability to manage large portfolios of programs using organized and blended methodology is instrumental to reducing cost and ensuring that programs are properly positioned. In selecting a business partner, look to how they rationalize outdated courseware and keep learning curricula fresh and timely.

5. **Sourcing** - Comprehensive training BPO engagements rarely rely on a single learning outsourcing supplier to provide all of the industry's best resources. A realistic expectation is that the primary outsourcing service provider will leverage its extensive buying power and partnership relationships to source "best in class" solutions from suppliers most suited for specific activities. Often, comprehensive learning BPO suppliers act as a Tier 1 integrator of services, requiring them to source individual projects (out-tasking) or particular learning process (selective BPO outsourcing) to tier 2 and niche suppliers. The prime learning outsourcing service providers are expected to select the right vendor, manage the vendor's activities, and provide a single procurement source for the client.
6. Delivery - The capability to deliver exemplary learning programs is often expected but seldom respected. Instructional delivery is the transactional aspect of learning and is most often measured in terms of volume metrics. For example: how many courses or how many student days of training were conducted. With the prevalence of e-learning, electronic performance support systems, mobile learning methods, and other training methodologies, delivery has become a multi-faceted capability. A single supplier rarely has all of the subject matter expertise, technology expertise, or infrastructure to deliver all of the different types of learning programs needed by a major organization. Therefore, the ability of a learning outsourcing provider to manage a network of instructors and deliver blended learning solutions is critical in many outsourcing engagements.

7. Administration - Training administration includes scheduling, registration, strategic reporting, and other learning operations and support functions. The technology associated with implementing these administrative activities is included in this capability area. Many learning strategists believe that outsourcing of the training administration function is likely to be the most beneficial for buy-side organizations. The irony is that this function has traditionally been one of the least outsourced learning processes. Most traditional training suppliers do not have a lot of experience in this capability area but are gaining a knowledge and understanding of the administrative functions and the technologies that support this rapidly emerging segment of the learning BPO market.

8. Strategic Reporting and Analysis - Defining value-based metrics is one of the most difficult aspects of an outsourcing engagement. A supplier's ability to define the proper metrics for business processes, collect appropriate data in a cost efficient manner, report the data, and then make strategic recommendations on how to improve the business is the foundation of this capability area.

9. Leadership - Many believe that this is the most important capability in differentiating one supplier from another - and for good reason. In many large scale outsourcing engagements, the talented training staff moves from the buy-side company to the outsourcing supplier. If all the resources move to the supplier company, then what makes the business different? Typically, improvement results from the leadership provided by the supplier company. It's important to look at the experience level of the supplier's leadership team in managing a training organization in an enterprise-wide environment. Evaluate the leadership team's knowledge of your company's industry and determine if the personality of the leaders can positively influence change and improvement with staff inherited from your organization.

10. Financial Strength - Recent economic downturns have put financial pressures on some training organizations. A supplier's ability to financially support the business you are asking them to manage is no minor consideration. The financial size of many outsourcing deals is so large that there may be only a few companies in the market that can support them. For example, if your organization's outsourcing deal is valued at $5m per year and you are looking at a company whose annual revenues are $25m, then you are asking that vendor
to grow its business by 20% just from adding your organization. You have to ask, can the supplier support the added capital investment, the changes in cash flow, or other financial requirements of the engagement? Understanding the risk of this type of situation is critical. You may become vulnerable because of the misfortunes of one of your supplier's other clients or overextension of its financial resources.

11. Geographic Reach - The need to reach geographically dispersed student groups may be important if your organization is expanding into new markets or if you have employees in multiple or global locations. The probability is low that a learning outsourcing supplier has the required resources in exactly the locations where you have needs. The outsourcing service provider's ability to expand into those locations with the resources necessary is what you must assess to determine if they can support your business. Also, if the supplier has to hire new staff in a geographic location, the cost may be very different than if they are able to leverage the capacity of existing resources in that location.

12. Technology Integration - In today's high technology world, most training outsourcing engagements involve some use of technology. It may be an LMS for administrative purposes or an LCMS for content delivery and access. Whatever the case, the vendor's ability to integrate those technologies with other supply chain process applications is critically important in large scale organizations. Technology integration is not just about a company's ability to deploy an LMS, it may involve that company's ability to integrate a proprietary LMS with another vendor's supply chain system for procurement and another company's system for HR management, and yet another application for accounts payable. This capability requires strong interaction with the customer's IT staff or an IT outsourcing vendor supporting the same client.

13. Cultural Compatibility - Some capabilities seem to have more of a science to how they are applied, but sometimes there is the softer side of whether the organization fits with your organization. A supplier's culture needs to blend well with your organization's culture to prevent clash of personality and style. An example is where a consulting company that has a 'white collar' type of culture is a good fit in a manufacturing environment. Be sure to look closely at the personality of the supplier and how the people blend in executive meetings.

Last but not least, you may have noticed that of the leading capabilities to consider of an outsourcing vendor, we never mentioned price. The reason is that pricing is a factor of the sum of each of the capabilities. Our recommendation is that you should never evaluate one vendor against another just on the basis of price. If you do, you are forcing the business into a commodity-based business model and you are minimizing the importance of the more strategic capabilities. Never forget, that in this industry just as in most others, you definitely get what you pay for. If you are looking for the least expensive supplier above all the other capabilities mentioned, then progress at your own risk.

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