

AN OUTSOURCING

Here are some steps to take—and some questions to ask—before attempting to outsource training.

The tips can help you find a one-time supplier or an outsourcing partner.

Many training managers now find themselves in situations they never dreamed possible. The value of their efforts is being scrutinized more than ever before. And they're being asked how those efforts fit with corporate goals.

It's an exciting time. Training is becoming a key competitive strategy, as companies recognize that employees are a strategic resource. It's also a time of change. If training programs aren't relevant to a company's overall business goals, the training department will be turned inside-out and upside-down.

That's what happened at Conoco—a Houston-based oil-and-gas company. Senior staff training associate Lee Anna Washington says, "A few years ago, our training was 98 percent internal. But from a standpoint of added value, the complaint was that we weren't providing quality. We were too generalized; we were trying to please everyone."

Executives at Conoco quickly came up with a solution: They downsized the training function from 12 employees to one. Washington now helps workers and supervisors learn to manage their own development needs. When a nontechnical course needs updating, Washington either creates a new course or purchases a customized one. External consultants deliver all of the company's training.

"The bottom line is that we are in the business of producing oil and gas, not training our employees," says Washington. "Our whole focus has shifted to increasing employees' competency. We get the resources as they're needed."

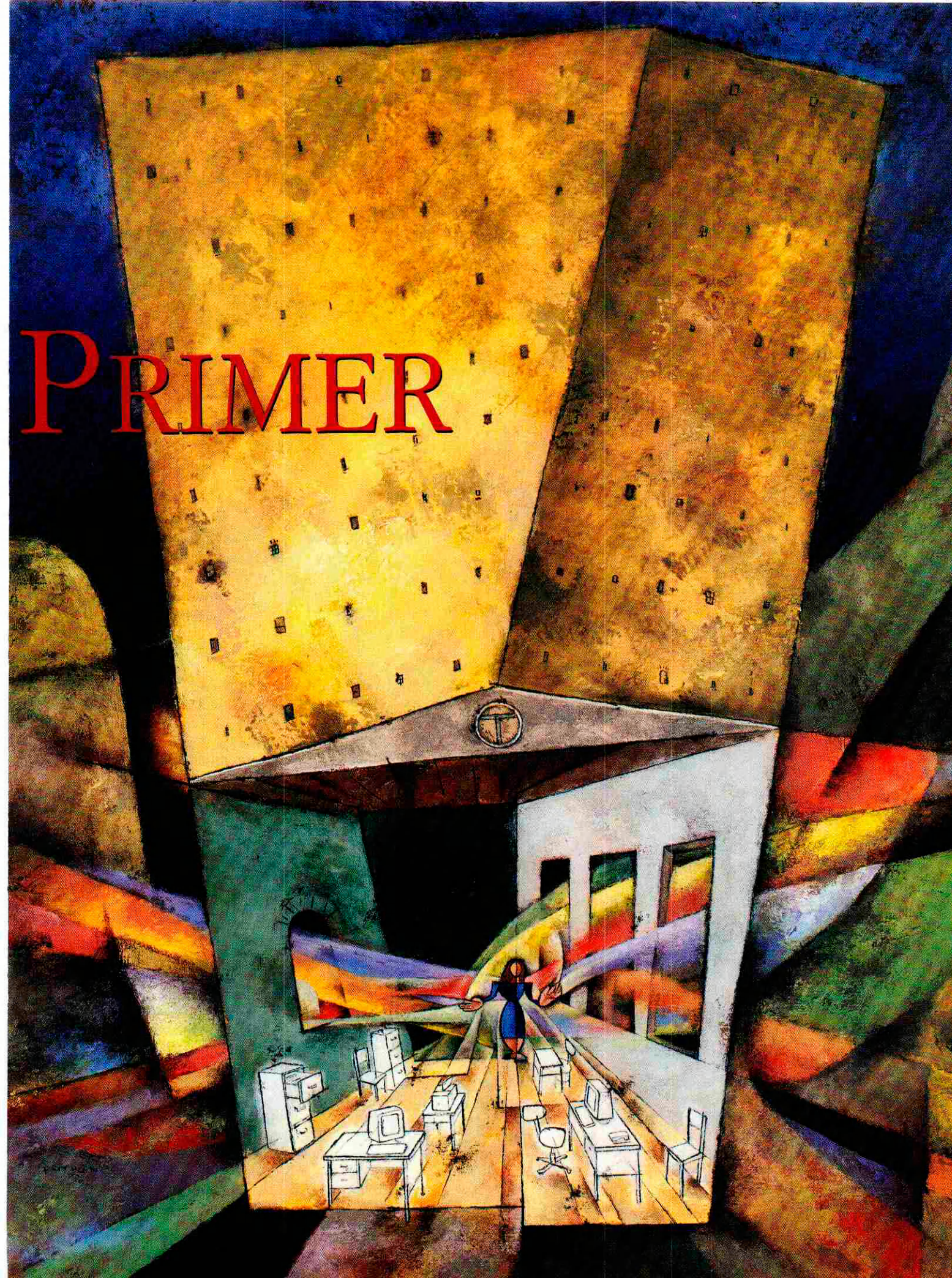
Enter the world of outsourcing.

Variations on a theme

Many organizations have bought training videos, sent employees to external workshops, or hired consultants to develop or deliver training programs. But outsourcing has taken on new meaning. More companies are

BY MARGARET KAETER

PRIMER



beginning to view their external training suppliers as strategic partners, not just vendors.

For example, Andersen Consulting looks to "gain-sharing" with its clients. "It's interesting how productive the relationship can be, when the goal isn't just to complete a project or contract but to increase competitiveness," says Reinhard Ziegler, partner in charge of change development at Andersen's office in Dallas, Texas.

Another much-talked-about partnership is the one between DuPont in Wilmington, Delaware, and the Forum Corporation, a Boston-based consulting firm. Except for a few technical-training efforts, DuPont has disbanded its training department and brought in Forum to oversee the internal training function.

"We felt that the whole would be greater than the sum of the parts," says Ed Trolley, manager of training and education at DuPont. "We could con-



Ed Trolley
DuPont

centrate on what we're good at, running our business, while Forum would bring all the training skills. Forum would be charged with meeting our needs in any way necessary, including finding other consultants to provide training in areas in which it couldn't."

But tight-knit, exclusive partnerships are only one way of outsourcing. Many

organizations have found other kinds of arrangements that meet their needs. For example, Conoco lets employees pick their own training courses; a clearinghouse tells them what courses are available.

"It works well for the technical training our people need and for things like presentation training," says Washington. "But it's not perfect. One disadvantage is that there's no opportunity for follow-up. Another problem is that people were used to getting training in-house. When they see the high price tags of some outside training, they sometimes opt for lesser-quality courses."

In another example, Westinghouse trimmed its training staff from 21 people to five. The company continues to develop training internally, turning to external suppliers to deliver programs. Emily Schultheiss—lead consultant with HR Worksource, Westinghouse's internal training function—says, "Our charter is a focus on training development, not on delivery."

Bill Germino—manager of information-systems training for Babson College in Wellesley, Massachusetts—used to turn to internal experts to provide staff with training in computer software. Now, 80 percent of such training is done by an external supplier. Germino still customizes training activities and other materials.

"In the past, I had up to 16 internal part-time training instructors. Getting them to learn the product and give a polished delivery was draining our resources. Now, the external instructors get higher evaluations than the internal instructors did."

Other companies hold to the tried-and-true model of outsourcing: a course here and a development project there. "There's not a single model people should move to," says Ziegler.

"You have to look at the strengths and weaknesses of your company. Can you get a competitive workforce by choosing a good consultant and pointing him or her in the right direction?"

Asking the right questions

Even minimal outsourcing can have advantages. But even outsourcing enthusiasts agree that it's not right for every company in every situation.

"When we think we might outsource, we spend a lot of time examining the issues," says Katherine Vanover, training and OD manager at Jergens. "Sometimes, we find that even though outsourcing looks right, we really need to keep certain training inside."

In deciding to outsource a particular program or to develop a strategic partnership with a supplier, it's important to ask several questions.

Is there a time crunch? If the training is needed immediately and can't get be done internally, going outside may be the only choice.

"We had one client who needed to train 20,000 employees within six months," says Alice Pescuric, vice-president of training and development technologies at Development Dimensions International, a consulting firm based in the Pittsburgh, Pennsylvania, area. "Very few internal training departments could handle that."

Is there a resource constraint? "I believe in life-cycle costing," says Larry Tagrin, a training and development professional with 15 years' experience. "Look at the five-year projected cost to develop, deliver, and maintain the program—compared with buying a course. Every course has a breakpoint."

Pescuric recommends looking also at the "opportunity" costs of the trainers and developers. "Many organizations used to look at training only in terms of expense. But now, they focus on training as a major element to future success. In that context, training professionals are too important to do instructional design. They should be working on the important issues that only they can address."

But Pescuric also says, "When you look at a company's long-term need, you may find that you have to develop one or more internal experts."

Is there an expertise constraint? Not every company can afford to maintain

Keeping It In-House at Jergens

Some organizations prefer to keep training in-house. Katherine Vanover—manager of organizational development and training at Jergens in Cincinnati, Ohio—outsources training only when she absolutely has to.

"We do all our leadership and management training internally. It's expensive. But we need to know the inside talk about organizational issues. I do the total-quality management training myself. I know the work environment and our people. So, I can use familiar processes."

Even when she uses an outside consultant, Vanover tries to bring the training inside eventually. "There's an inherent danger in outsourcing. You can end up losing the expertise and technology of your company. I try to transfer all of it in-house so that the new information becomes a part of the organization. That also provides development for employees."

internal experts in every area, especially considering how fast technology changes. That's why outsourcing is most common in technical subjects.

"When we needed a Taguchi expert to teach a course in designing experiments, we went to the local college," says Vanover. "That made more sense than trying to bring an inside trainer up-to-speed," she adds.

Technical changes are so fast and frequent that it's difficult to keep internal trainers current and certified, according to Kris DeWolf, director of sales and marketing at Connect Educational Services in Eden Prairie, Minnesota. "Technical classrooms and labs are capital-intensive. If you're going to give employees the best training, you may have to send them outside."

Clearly, the training's subject matter can drive outsourcing decisions. But so can training technology. If a company wants to create a multimedia program but doesn't have an expert in that area on staff, it makes sense to go to an external provider.

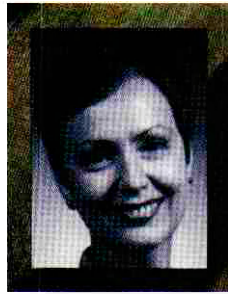
Would an outsider have more credibility? "If an external trainer—no matter how expert—doesn't understand the company's business operations, he or she is likely to fail in some areas, such as consultative selling," says Marilyn Carlstedt, regional training manager at Amoco, based in Chicago, Illinois. "You have to know your audience and what it will tolerate. You have to know the culture of the company."

"We found that when we hired dealers from other gas companies to train Amoco dealers, the external trainers had greater credibility with our people."

"An external voice can be a bit like benchmarking," says Dave Erdman, president and CEO of Learning International, a training and consulting firm based in Stamford, Connecticut.

"If there's a strategic change in the organization, you might want to look for voices that can help deliver the message with more perspective. People listen differently to someone outside of the company."

Is the training part of the core business? Examine how the company



Emily Schultheiss
Westinghouse

views its competitive niche, recommends Ziegler. He recommends keeping training in those core areas internal. At DuPont, product training, safety training, and training for operators and mechanics are kept inside because they're critical to the company.

"I don't think quality training should ever be outsourced," says Carlstedt. "It doesn't matter who you're working with. In every class, an enormous amount of company-specific information comes out. If an internal person facilitates the training, the company can grow and learn from it. Outside people defeat the purpose of quality training. They walk out the door with valuable information."

How generic is the training? Even in core competencies, there are generic areas in which any expert can do the training.

"We have three training courses on hazardous materials," says Tagrin. "Two are universal and must be federally certified. Anyone with the proper license can teach them."

How frequent is the course; how big is the audience? The more frequently the course is delivered and the smaller the audience, the more sense it makes to have an external provider involved.

"We wanted to offer an advanced computer-programming course to

four employees out of 5,000 in the company. It would have taken three years for us to develop the course," says Tagrin. "There was no question that we had to outsource it."

Can the outsourcing be managed effectively? Outsourcing isn't an end to all worries. In fact, it can create a multitude of new ones.

"I think the most important question is whether you have the expertise to manage and measure the success of outsourcing," says Pescuric. She also recommends ensuring that the systems for selecting, communicating with, and paying suppliers are in place before launching an outsourcing effort.

More questions

There's no shortage of consultants in the world. But there are few perfect matches. To find the best fit—for either a one-time supplier or an outsourcing partner—you should ask yourself and potential suppliers some crucial questions.

The first question to ask is whether the supplier's values match the values of the company. "For example," advises Pescuric, "if a company values employee empowerment, it's important that the external consultant be willing to seek employees' input. The consultant can't just say that he or she has the same values; he or she has to live by them."

Does the relationship feel right? "Communication with the potential

Ask Before You Leap

Once you've decided to outsource—whether it's a single program or an entire function—you'll want to hire the supplier who can best meet your needs. To find an outsourcing partner who is a perfect fit, be sure to ask the following questions as you screen candidates:

- ▶ Do the supplier's values match the company's?
- ▶ Does the relationship "feel" right?
- ▶ Does the supplier understand the company's business?
- ▶ What does the network say?
- ▶ Does the supplier meet the company's geographic needs?
- ▶ What is the budget?
- ▶ Does the supplier meet needs

regarding time and volume?

- ▶ What is the supplier's expertise?
- ▶ Does the supplier really listen?
- ▶ Does the supplier "walk the talk"?
- ▶ Does the supplier understand organizational change?
- ▶ Can the supplier meet the company's long-term needs?
- ▶ Is the supplier a strategic orchestrator?
- ▶ Does the supplier work well with other suppliers?
- ▶ What is the training content?
- ▶ Do the materials fit the company's culture?
- ▶ Is the supplier flexible about delivery?

supplier or partner should be open and honest," says Erdman. "There should be a strong sense of trust that the external provider will do the job."

Does the supplier understand the company's business? A common way to find an outsourcing partner is to expand an existing relationship.

"We like to build relationships with suppliers over time," says Tamara Scott, dean of the training university at Van Kampen American Capital. "That way, we can learn their capabilities slowly—and they can learn our organization in-depth—before taking on too much."

The Coca-Cola Company takes this a step further: It hires former employees as consultants. "To do a good job, you have to understand and appreciate Coca-Cola's culture," says Chris Gilliam, a principal of the Gilliam Group in Baltimore, Maryland, and one of Coca-Cola's training consultants.

"You have to understand the business, products and services, strategies, and subcultures. You have to know the key players in order to gear training to their strengths and weaknesses."

But Millar Farewell—assistant manager of the motorcycle-service education department at American Honda in Torrance, California—says that consultants hired for their technical expertise shouldn't necessarily have to understand a company's business.

"I choose our external providers for their expertise in course structure and sequencing. I can't expect them to know about motorcycle repair, too. If this is a team effort, I expect us to contribute our part."

Next, go to your network of colleagues and counterparts at other firms. What do those associates say about the suppliers you're considering? Farewell says that he asks other companies what happened *after* the training. "Did trainees remember it? Were they able to apply it on the job? Did the company see a better bottom line? I want to know that it worked."

Does the supplier meet the company's geographic needs? If the compa-



Alice Pescuric
*Development
Dimensions
International*

ny is planning an international effort, it is likely to want a supplier with an international presence. That can save travel time and ensure that the trainers are fluent in the language and habits of the target cultures. In addition, the trainers should be able to "culturize" any course quickly.

The budget is always an important consideration. "If it's a light budget, I won't be flying people out of Cali-

fornia," says Amoco's Carlstedt, who is based in Chicago. "If the supplier wants the business, it can find a way to get someone to us."

Does the supplier meet the company's needs regarding time and volume? Sometimes a training manager will ignore this question, opting instead to use a favorite supplier. That supplier may fit all of the other criteria. But if it can't deliver what the company needs when it needs it, the training manager should look elsewhere.

What is the supplier's area of expertise? "Consultants specializing in compensation may say that they can train. But if training isn't their core skill, that could defeat the purpose of going outside," explains Pescuric. "If you're looking to outsource training because it isn't the company's core competence, make sure it's the supplier's core competence."

And don't forget to make sure the supplier is licensed, when applicable. "I've had several suppliers say that they were licensed to deliver a particular program," says Carlstedt. "But when I checked, they weren't."

Does the supplier really listen? Erdman suggests asking a potential supplier to reiterate the company's needs.

"I worked with a supplier that was highly recommended to train in presentation skills. But before the session, no one called to see what trainees' current skill levels were," says Carlstedt. "The program was so basic that it insulted participants."

Does the supplier "walk the talk"? "If a supplier doesn't embody what it sells, it's in big trouble," says Scott. "I

would expect a supplier that sells negotiation-skills training to try to negotiate the contract with us. I'd expect a supplier that sells telephone-skills training to have perfect receptionists."

Does the supplier understand organizational change? "Training can raise organizational issues," says DeWolf. "Suppliers must provide holistic trainers who understand change, team skills, and negotiation skills. That's almost more important than the technical skills."

Can the supplier meet the company's long-term needs? "With training being strategic, the supplier or partner should be flexible enough to grow in the many directions the company might go in the future," says Erdman.

Is the supplier a strategic orchestrator? Will the supplier help resolve issues that come up between itself and the company? Will the supplier look to other sources to solve problems it can't handle?

"The supplier or partner should pull out all its resources for you," says Erdman. "That's what adds value to the relationship."

Says Carlstedt, "The account executives are critical. They're the ones who will run interference. They can make or break the relationship."

Does the supplier work well with other suppliers? A good supplier will admit when it can't provide something. And it will help find a solution, or understand when the company goes elsewhere. "I'm not concerned when a client uses two consultants on a project," says DDI's Pescuric. "We work with a client that has one supplier do the hype while we do the nuts and bolts. It makes sense to use the best in each area."

What is the content of the training program? "If a supplier is going to be training my trainers, I want a detailed account of the certification program," says Carlstedt. "Some consultants don't have skill practice. They just watch videos."

Do the materials fit the company's culture? "In the 1980s, we had an employee-involvement program in which the videos were geared toward clerical and manufacturing people,"



Dave Erdman
*Learning
International*

says Carlstedt. "The tapes didn't fit our engineering culture. Once we reshot them, the program had good acceptance."

Is the supplier flexible about delivery? "I want the option to deliver externally or internally," says Carlstedt. "In 1989, we did a targeted employee-selection program. I wanted to train 1,000 people in four weeks; I knew I couldn't do that internally. But once the program was up and running, we took over with internal sessions for new people."



Millar Farewell
American Honda

Now what?

Once a company has decided to outsource and has selected the supplier, it's ready to move. Right? Wrong. First, there are some key steps to take.

Put it in writing. Be clear up front what the arrangement is, advises Gilliam. That includes managing finances and outlining who does what at each step of the training process.

Pescuric recommends defining a win-win relationship. "In one case, we agreed to turn over the technology we developed. In return, the supplier let us use its locations as field-test sites and to get marketing feedback."

Teach the supplier about the organization. "Share the company's business plan," says Scott. "I want my training suppliers to understand the company's goals and objectives as well as I do. You can't expect a supplier to perform well if it doesn't know everything about the company, good and bad."

Set up a plan to handle conflict. "The supplier/partner relationship should be like a marriage," says Erdman. "It won't always be perfect. But you'll likely benefit from the supplier's different perspective, if it's well-presented. I think a form of 'premarital counseling' should outline how the parties will proceed when conflict occurs. If the parties aren't satisfying each other's needs, they should say so. Any relationship can improve, even the best."

Request follow-up. "When working with outside consultants, follow-up is often missing," says Washington. "Many of them just want to do the training and leave. They may do a cursory evaluation. But they won't sit

down with you to discuss what was good and what needs improvement. If you plan to make the relationship a long-term one, you need follow-up."

Make adjustments. When Ken Tumas—director of corporate training and safety for Neles-Janesbury in Wooster, Massachusetts—saw his suppliers' instructors in action, he requested that some of them not teach again. "It's

not that employees didn't learn. But something was missing in the relationship between some instructors and the trainees. You can't predict which people will be effective, until you see them with your employees."

Remain flexible. "We thought we'd start at corporate headquarters and slowly expand," says Trolley. "But

Point/Counterpoint

Many organizations are recognizing the value of outsourcing. But controversy still rages over how much outsourcing to do.

Here are opposing views from two training and development practitioners.

Larry Tagrin: "It's stupid to outsource completely. That's like taking the heart and soul of a company, and letting someone else run it.

"You also lose control over the training function. You have to train the supplier's people, but it can move them at any time. Who gets the superstars?"

"If the supplier isn't in tune with your culture, the training might not be applicable—even if you're housing the external trainers at your offices or hiring former employees to do the training.

"Security is a problem. The supplier has to know a lot of information about the company. If a supplier is working with Ford Motor Company, it probably also has Toyota and General Motors as prospects, if not clients. No confidentiality clause can keep all of the information inside your company.

"Outsourcing can send the message that training your most com-

petitive asset, your workforce, isn't

important enough to keep inside. Employees pick up on that."

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Edward Trolley: "At DuPont, we realized that to reach our vision of becoming global, employee development was critical.

"We had a lot of training and development people, and a catalog with thousands of courses. We had to transform that, to add value and link training to business. At first, DuPont sought to rebuild the training department into a world-class training organization. But we ruled that out. The training function as it was didn't meet the necessary requirements for transformation. And our fixed costs would remain too high.

"A new outsourcing relationship with the Forum Corporation completely changed the face of training at DuPont. Now, two-thirds of the training is business-linked. We offer workshops in such areas as profitable growth, customer retainment, and market assessment. It doesn't look like traditional training.

"Our vendors also have a relationship with Forum. We don't have to worry about contracts and administrative details. If the work doesn't add value, we shouldn't do it."