Outsourcing, Insourcing, and In-Between Sourcing

A guide to partnerships, alliances, and other creative sourcing solutions.

By Jennifer J. Salopek

Illustration by Boris Lyubner

"Outsourcing loses stigma," reads a headline in *Computerworld*, an issue of *Training* reports on "the great outsourcing stampede that never happened," and "outsourcing reversal seen" declares *Corporate University Review*. Yet, 42 percent of organizations responding to the *1997 Human Performance Practices Survey*, conducted by the American Society for Training & Development, indicate more spending on outsourcing from 1996 to 1997 than from 1995 to 1996. Outsourcing is listed among eight vital knowledge areas for CEOs by *Fortune*. Expenditures on outsourcing of all types are expected to reach $318 billion by the year 2001, according to the Outsourcing Institute.

Whatever the case at your organization, chances are you've spent some time thinking about outsourcing recently, or will soon, and outsourcing will have an impact on your professional life. In a report issued by the Conference Board of Canada, author Dave McIntyre says, "Many firms are questioning the value of having a fully staffed, permanent training function that costs a company during every minute of every day. Ideally, an outsourced training function costs only when it is used."

Outsourcing provides a new opportunity for in-house trainers: selecting, supervising, and evaluating vendors. With this shift in focus, it's important to maintain competencies to make sure vendors are performing as expected.

"Increased outsourcing activity fits with the changing role of many training professionals," says McIntyre. "Today's corporate training professionals are acting more as brokers of internal and external training talent and expertise. Outsourcing is forcing them to reinvent their roles in a way that maximizes their contribution to the organization."

Savvy trainers in these downsized times also look for creative ways to satisfy training needs other than the traditional outsourcing client-vendor relationship. New terms are cropping up all over: *insourcing, co-sourcing, share-sourcing*, and *strategic sourcing*. Many of these solutions rely on partnerships or alliances rather than simple contractual agreements. In these mutually beneficial relationships, one and one add up to more than two.

What is an alliance? Well, according to Jordan D. Lewis, author of two books on business alliances, "The only thing we can be sure of when someone uses the term *alliance* or *partnering* is that we can't be sure what they mean. Those terms are used as new labels on traditional relationships, to describe acquisitions, or in many other ways without consistent meaning." Lewis made these remarks during his keynote address at the Outsourcing, Insourcing, and Shared Services Conference held in San Diego recently. He went on to say, "I use the term *alliance* to mean cooperation between organizations that produces better results than is possible in an arms'-length transaction. It is not enough to call each other partners and expect more together. To get superior results, you must behave as partners." Organizations are forming partnerships and alliances with each other, with colleges and universities, and with suppliers to satisfy training needs while positively affecting the bottom line. Here, we describe four such alliances.

Be true to your school

American University in Washington, D.C., wants to play a part in ending the IT labor shortage. The university also wants to increase its presence among the many national and multinational corporations relocating to or opening branch offices in the U.S. capital. The university wants its graduates to get good jobs. The university also wants to make money.

Enter Patrick F. Valentine, director, corporate and government education and training and American University's new TurnKey Technical Training program, initiated in January 1998. The program aims to help solve the IT shortage by maximizing one of the D.C. area's greatest resources: undergraduate and graduate students receiving degrees in nontechnical disciplines. As the program summary states, these students "are, relative to the general work population, familiar with technology, mobile, unencumbered by fixed financial obligations, willing to learn new skills, and have access to short-term financial support."

The TTT program proposes to take advantage of this rich potential by filling vacant IT positions with AU liberal arts graduates trained to an organization's ex-

Buyers Share Their Wish Lists

What do the heavy buyers of training look for when they purchase products and services outside their companies? At a recent meeting of the Instructional Systems Association, a community of training suppliers, five training executives shared their expectations as customers.

Madeline Fassler, director of training resources, Kaiser Permanente
"Suppliers who can train trainers from other suppliers."

Karen Grabow, vice president of human resources, Target Stores
"Speed, flexibility, solutions customized to solve our business problems, and solutions woven into the daily work of participants rather than an event that takes them away from work."

Gloria Regalbuto, director of HRD, Bath and Body Works
- "Products that are timely, convenient, customized, have high quality, and offer us variety.
- Suppliers who don't redo our upfront analysis but who will teach us how to do it better.
- More job aids.
- Help putting programs on the Web.
- Help with the distribution and fulfillment of our print-based training products."

Marc Rosenberg, education and training, AT&T
- "Products that allow AT&T to measure bottom line results.
- Salespeople who understand the technology they are selling.
- Suppliers that understand competency models.
- More attention to ethics (don't sell the same product to different parts of the company at different prices)."

Pat Strohmeyer, national education and development director, Deloitte & Touche
- "Global alignment of content.
- Unbundling of products.
- Mechanized solutions.
- Suppliers with knowledge of HR systems.
- Suppliers willing to base their fees on results."

An Outsourcing Primer

The Benchmarking Forum of the American Society for Training & Development provides a venue for organizations to benchmark their training, learning, and performance improvement processes, practices, and services against each other. The Benchmarking Forum is made up of private and public sector organizations based in many countries. Started in 1991 with 19 companies, membership has grown to approximately 65 in early 1998 (a current list of Benchmarking Forum members is available on the ASTD Website, www.astd.org). In July 1997, the ASTD Benchmarking Forum convened a one-day meeting on the issue of outsourcing decision criteria. Eleven organizations were represented at this meeting. Here are the results.

Operational Definition: Outsourcing

Using noncompany resources to provide some or all of the training, learning, and performance improvement products and services needed to support a company's strategic direction.

Reasons to outsource

A survey within the Benchmarking Forum asked member organizations to indicate the level of importance they place on a variety of factors when considering whether and when they should outsource training, learning, and performance improvement activities. Here are the top five, with questions to ask.

1. To increase operational efficiency of the training and learning function. *Are there other organizations that perform these functions at a better value?*
2. To offset a shortfall in internal expertise or staff. *Do we have enough and the right staff to meet the need in time?*
3. To gain access to world class capabilities. *Do state-of-the-art skills exist externally? How reliable is the outside expertise?*
4. To reduce operating costs. *How long will it take for the payback to appear?*
5. To increase the impact of training and learning. *Can the training be done faster? More effectively?*

Other factors taken into account include

- ❑ improving internal staff's focus on contributing to the organization's core initiatives and strategies. *How is the organization's own staff best used for overall productivity and impact?*
- ❑ audience. *Is the audience small or large enough to warrant outsourcing? How often is this training or expertise needed?*
- ❑ adding flexibility. *Can we build the flexibility with existing resources? Do we have to provide training on a global basis?*
- ❑ timeliness. *Is there a timeline that we can meet only if we bring in outside resources?*

Functions to be outsourced

- ❑ Administration. Providing the behind-the-scenes business support that makes the intervention happen.
- ❑ Analysis. Determining where you want to be, where you are, and what performance is needed to achieve the business goal; identifying performance gaps; and assessing the value of the intervention.
- ❑ Design. Defining the appropriate action to be taken, and identifying the specifications of the intervention to be developed.
- ❑ Development. Creating the performance intervention.
- ❑ Implementation. Conducting intervention with the target audience at the right time and in the right place.
- ❑ Application support. Facilitating on-the-job transfer of learning.
- ❑ Evaluation. Measuring performance improvement.

The business case for outsourcing

The Benchmarking Forum identified a number of questions to consider when weighing an outsourcing decision. These two were recognized to be so important that they determine whether it's go or no go:

- ❑ *Is there a mandate to outsource?*
- ❑ *Does the proprietary nature of the training preclude outsourcing?*

Here are the other questions:

Staffing and resources.

- ❑ Are internal support systems currently required for the activity?
- ❑ Do you have the requirements to provide a wide variety of products and services, or do you have a standard, narrow set?
- ❑ What capabilities do you have in-house? What is your skill mix?
- ❑ What is the frequency of required update and maintenance?
- ❑ Is a stable supplier available?

Audience.

- ❑ What is the target audience?
- ❑ What is the geographic dispersion of your audience?
- ❑ Do you have peaks and valleys in your needs?
- ❑ When is this required? What is the time period to prepare? Is there time to reskill?

Cost and value.

- ❑ What are the true systems costs of maintaining the activity internally? Of outsourcing?
- ❑ What are the cost constraints?
- ❑ What is the payback period?
- ❑ What is the global value-add from this initiative, and it be realized by outsourcing?

Strategic focus.

- ❑ How does the culture of your company affect this decision?
- ❑ Does it make sense from a total systems perspective? What would the true impact on systems be if an external supplier were used?
- ❑ Can outsourcing decisions be integrated into a systemic solution?
- ❑ How would outsourcing affect your ability to maintain control of the strategic issues of your business?
- ❑ What is the role of changing technology?

act technical specifications. The program breaks new ground in workforce development by linking employers with high-performing university graduates and building the students' skill levels to specific goals.

Companies partner with AU to find the graduates and develop the training curriculum to fill their vacant IT positions. The partnership is a true two-way street: The corporation gains access to the best and brightest liberal arts graduates, and it works with AU faculty to develop a training and education program unique to the organization. Valentine estimates that, depending on the program, new recruits will be full-time employees in just a few months. The first group of TTT program students graduated in May 1998.

Valentine characterizes partnerships as "two or more organizations committing resources, personnel, and knowledge toward a mutual project with differing goals." He states that TTT takes career placement "nine steps higher" than usual college outplacement efforts, giving liberal-arts graduates an alternative to "six to 12 months at Starbucks."

There are benefits for AU, of course. One of them, says Valentine, is that "the goal of an educational organization is to help its faculty develop. In creating and tailoring these training programs, we can sell these capabilities to future clients." He sees rich potential for corporate-university partnerships. However, a gap exists between the potential and the reality. In a survey performed for ASTD's Industry-Education Partnership Forum, Valentine surveyed the 300 largest technology companies in the Washington, D.C. area to answer two questions: 1) How do companies rate the reputation of area schools for partnership programs? and 2) How do companies rate higher education in general as a resource for extension services?

Survey results show that companies rated area community colleges and universities as "good" for business partnerships, agree that partnerships are beneficial, and have confidence in the quality of the work product. The survey also shows that the most common reason a company does not form a partnership is not knowing about available programs. The second most common reason is not knowing whom to contact. Clearly, if institutions get the word out, there is vast potential for many more such corporate-education alliances.

Get a little help from your friends

Associations and not-for-profit organizations with limited budgets can meet training needs by building strategic alliances with similar organizations. In one such alliance, 16 regional hospitals in Ohio partnered to create a two-day seminar in Toledo. The seminar program was developed by surveying the participating hospitals and devising multiple tracks. According to Christine Seiler, director of educational services at United Health Partnership in Toledo and lead organizer of the seminar, "We provided training for $75 per person instead of the $250 to $300 per person plus travel we normally would have had to spend."

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A group of health-care providers in Sandusky, Ohio, has formed a networking group of educators. Members pay an annual membership fee for additions to a collection of training videos, which are then available for use by any participating hospital.

Accreditation requirements drive many of the educational and training needs of health-care organizations. Seiler says that every hospital is now required to perform root cause analysis after a seminal event such as the amputation of the wrong limb or administering incorrect medication—in other words, big mistakes. Hospitals are now having to learn to perform a root cause analysis in order to retain accreditation. Seiler's 16-hospital group collaborated again in June 1998 to partner with Hospital Shared Services of Pittsburgh to bring a nationally known speaker to the Toledo area. Participants in the training paid significantly less than they would have had to travel elsewhere to receive the same training.

I only wanna be with you

The LearnShare initiative made headlines upon its formation in spring 1997. Now composed of 14 members, LearnShare is a consortium of major, noncompeting companies organized for the purpose of improving training results while reducing costs. LearnShare aims to achieve those common goals by sharing existing training programs, jointly funding new training content, collaborating to develop new training content, and leveraging the combined purchasing power of the member companies to negotiate deep discounts with independent training suppliers.

Leveraged purchasing power is a concept whose time has come: In his newest book, *Blur*, futurist Stan Davis forecasts the emergence of the Value 500—organizations of consumers intent on "pooling demand, not supply, and on delivering the greatest value to consumers" (see the box on page 52, Buyers Share Their Wish Lists). The LearnShare concept has come to be known as share-sourcing.

A year and a half after its creation, LearnShare boasts these member corporations: General Motors, Aeroquip-Vickers, 3M, Motorola, Owens Corning, Deere & Company, Pilkington, Reynolds Metals, Owens-Illinois, Northwest Airlines, Warner-Lambert, GTE, Chevron, and Levi Strauss. LearnShare also has three educational partners: Arizona State University, Fairleigh Dickinson University, and the Ohio State University. Each organization has a representative on LearnShare's board of directors. All together, consortium members employ more than 2.2 million people and have combined revenues of more than $100 billion.

The LearnShare curriculum includes courses in management, interpersonal skills, sales and marketing, manufacturing, health and safety, finance, and job skills. Almost all delivery is technology-based and courses are available online, on CD and video, and in text. LearnShare uses its Website to bring resources to its members. Online training, email, computer conferencing, and Internet and intranet communications are all parts of the process. Member companies participate in the selection, content, and design of all new course offerings, tailoring content to specific training needs.

What lies ahead for LearnShare? In addition to attempting to reach its goal of 15 member companies, the consortium wants to find ways to spread its training alliances and benefits throughout the LearnShare system, ultimately reaching individual business units, customers, and suppliers, according to CEO Rick Corry. The addition of Northwest Airlines has

Case Study: A Shared-Services Approach

One creative way to obtain training services outside of the traditional outsourcing relationship is to become a contractor to your own company. When Duke Power Company merged with PanEnergy to form Duke Energy Corporation in June 1997, each business handled its own training. In order to optimize resources in-house and consistently manage contractual obligations, Duke Energy created a training division of the Shared Services department—a zero-budget, zero-profit operation. The only work that the training division performs is what has been specifically requested and subsequently funded by some part of the corporation. The Shared Services department charges costs back to other departments on a 1:1 basis.

The training division's mission, according to manager Tommy Wall, is to "work with customers based on their needs to fulfill their strategic objectives, while ensuring cost efficiency and performance excellence." The division offerings include training in technical skills, leadership, environmental safety and health, computer use (both end-user and IT), and basic business. The division is organized around traditional ISD and has five distinct roles with separate staffs: 1) consulting; 2) planning, managing, and procuring (the company still outsources 20 to 40 percent of its training needs); 3) design and development; 4) delivery; and 5) evaluation.

However, emphasizes Derrick Allman, "We are a process organization, not functionalized. There is fluidity of purpose." Allman, in fact, declines to give a title, saying that "whatever part of the process we're in determines our function."

Although corporate policy mandates that in-house customers should obtain training through the Shared Services department, the training division staff has a strong customer-service orientation. "We exist at the courtesy of our customers," says Wall, "and we continually ask ourselves, 'Are we providing value-added services?'"

The training division recently completed a competitive analysis to ensure that it is providing value as compared to the marketplace and saving money for its customers. "Our function is to make our customers successful in their business plans. We need to get out of [training] if we're not and bring in outside vendors." The division is sharing the results of the competitive analysis with its customers, demonstrating the money-saving benefits of the shared-services operation.

Not all a bed of roses

The transition to the shared-services operation at Duke Energy hasn't been without its difficulties. In combining the training staffs of the discrete business units, Wall says that they looked at skill sets and duplications, and decreased staff by 60. He acknowledges that it was a painful process, requiring significant change management initiatives and some "grief counseling" for the survivors of the cutbacks. Wall notes that remaining employees weren't only mourning the loss of co-workers, but also the loss of personal philosophies and ways of doing things.

The transition to shared services came at the same time as another major change for Duke Energy—the switch from a regulated utility to a deregulated, for-profit business. "We had to put on the hat of the entrepreneur, which is totally different from the hat of a regulated utility," says Wall. While the entire corporation was adjusting to an entrepreneurial outlook, so was the training division. Before the merger with PanEnergy, some training was provided with chargeback, some wasn't, and some programs were profit-making. Suddenly the division had to serve a combined pool of customers, many of whom weren't accustomed to paying for training and hadn't budgeted for it. "The training division must add value to the bottom line," notes Wall, "or the customer won't continue to use us."

The merger also forced a change to a global perspective. The $16 billion company now has 23,000 employees in 39 U.S. states and 44 foreign countries. For the training division, questions arose around technical training for people in the field. Trainers wondered, "What is our role?" as they made a planned, concerted effort to show value to the new PanEnergy side of the corporation. "It was a difficult evolution," says Wall. To the technical and subject matter experts, trainers "make a deliberate effort to provide the skill-set improvement that the team needs in this new environment."

Members of the training division also regard themselves as customers. Each employee has a career development plan that delineates necessary skill sets. Wall says, "Each employee runs an individual business—his or her own career. We are each aware of our own value added. I believe we have to have a community that is focused on human performance improvement." The training division also keeps records regarding all employee qualifications and required certifications, and it ensures that employees are kept current.

Lessons learned

The change to shared services was literally overnight, as the old system expired on December 31, 1997, and the new operation swung into action the next day. "There was no transition between the no-cost system and the chargeback system," notes Allman. He advocates that companies contemplating instituting a shared-services operation have a transition plan that allows for startup, customer development, and business development. "If you're going to flip the switch," he says (using an apt electrical metaphor), "you need to have as many systems, processes, and tools in place as possible before flipping it."

If he had it to do over again, Wall says he would provide skill sets associated with resilience and rapid change to the entire organization. He also notes that managers should be sensitive to change management issues, and communicate as widely and as often as possible.

The training division continues to try to find ways to evaluate and measure itself. Wall and Allman estimate that the division will provide approximately $7.5 million worth of training in 1998. It's also fine-tuning its relationships with outside providers: "Traditionally, if you didn't have the training available inside, you went outside," says Wall. "The client had a tremendous stake in getting the service delivered." Duke Energy is working on sharing the risk factor with partners and vendors, and reports favorable responses thus far. What do the vendors gain from sharing the risk? Three things, according to Wall: 1) increased opportunity to provide services to the organization, 2) an association in name with the corporation, and 3) the development of the supplier's reputation. "As we move forward with more rigorous evaluation and measurement, their reputation increases," says Wall. "We will be measuring value and providing that information to our suppliers."

encouraged the consortium to consider the training needs of service-based organizations as well as manufacturers.

A possible venture into a franchise-type operation is on the drawing board as well. Says Corry, “We’ve received many requests from smaller corporations ($500 million to $1.5 billion) to extend the LearnShare concept to them. They may not be able to afford a $200,000 initial investment, but they could afford $50,000.” Corry is also working on ways to evaluate LearnShare’s effectiveness and demonstrate its effect on the bottom line: “We can see it, but we just can’t count it.”

In a recent interview with the *Daily Herald*, however, Motorola’s Jeff Oberlin is quoted as saying, “Motorola has spent half of what it would have spent to develop the online curriculum in-house.” He estimates that 2,000 to 3,000 employees this year will benefit from training developed or shared with LearnShare.

These approaches helped LearnShare win an ASTD 1997 Excellence in Practice Award.

When you wish upon a STAR

LearnShare is a consortium of noncompeting companies in different industries. By contrast, the STAR Alliance comprises only airlines: SAS, United, Lufthansa, Varig, Air Canada, and ThaiAir. Each airline concentrates its service in a different part of the world; together, they serve 650 destinations or about 95 percent of world airports.

The STAR Alliance was launched on May 14, 1997. According to Lars Thykier, director of training at SAS (an ASTD Benchmarking Forum member), SAS had “bilateral cooperation” with other alliance members before the launch. “We had been working with Lufthansa for four years,” he says, “and had set up ThaiAir for the Thai government 40 years ago, so ThaiAir was quite similar to us philosophically.” Together, the airlines had a lot of experience in how to do things and decided to do them jointly, using the best ideas from each organization, says Thykier.

Setting up initial training presented a unique challenge: to preserve the secrecy of the alliance until the launch date, while making sure all 200,000 alliance employees were informed about STAR and its products and services on day 1. “We used different vehicles than usual,” says Thykier. The five airlines (Varig joined later in fall 1997) developed a management presentation tool consisting of about 20 overhead transparencies distributed to managers a week before the launch. The day before the launch, a letter was sent to all alliance employees at home, explaining the alliance benefits and accompanied by a special booklet outlining the goals, products, and services. A survey five months after the launch revealed that the letter and booklet package had been read by 90 percent of employees. Thykier attributes this success to having the package delivered to employees’ homes, thus enabling the information to reach such nonoffice-based employees as pilots and flight attendants. Most alliance training now is CBT-based, with some elements available via the Internet, an intranet, or a CD-ROM, depending on an airline’s technology capabilities.

The prerequisites for establishing a multicultural, multicompany project, according to Tykier, are to

- ❑ ensure total management commitment
- ❑ establish clear goals on what needs to be achieved
- ❑ ensure that training tools and methods capture all possible environments and types of delivery
- ❑ upgrade cultural communication skills to a very high level.

How does the STAR Alliance accommodate the cultural and managerial differences between its member airlines? Instead of trying to overcome those differences, says Thykier, it embraces them. In soft-skills training, the alliance provides packages that the airlines can use and adapt to their different cultures. “Take whatever you can use and discard the rest,” says Thykier. “We try to provide the common denominator as far as possible.” With hard-skills training, such as handling dangerous goods, the programs are identical for all alliance employees. A program called Airline Essentials is currently being developed for new employees with no airline experience. It teaches such basics as geography and the universal three-letter codes for world airports.

The STAR Alliance affects all functional areas of the airlines, not just training. “It’s a process-driven development focused on providing a seamless product,” explains Thykier. “The focus is to provide customers with more choices and to allow them to expect the same level of service on any STAR airline.” This focus is administered by customer-benefit delivery committees, and affects everything from check-in procedures to frequent-flyer programs and lounge access for top-tier customers. The ultimate goal of the alliance, says Thykier, is not to save money but to increase revenue and take advantage of the synergies that exist among the airlines. Although unable to give out revenue figures, Thykier says that the program has been enormously successful in meeting those goals. ❑

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STRATEGIC INSOURCING: Getting the Most From the Best

By David van Adelsberg and Edward A. Trolley

Most executives today are feeling the heat. Asked to deliver hefty earnings each and every quarter, they expect people on their payroll to pursue core activities that define the business, deliver immediate value, and generate profits. For everything else, they increasingly are outsourcing tasks to people who are there when they are needed and gone when they are not.

Training is certainly no stranger to this trend. The American Society for Training & Development's *1997 Human Performance Practice Report* states that 73 percent of all organizations surveyed reported using outside training companies in 1996. This finding isn't surprising, considering that all of the standard benefits that have fueled outsourcing also apply to training and development—and that using external providers has always been a way for training managers to respond quickly to the increasing demands placed on them. According to London investment banking firm Cazenove & Company, outsourcing is more than a cost-cutting exercise and is beginning to encompass areas previously regarded as core.

But few executives would place building the intellectual capital of a business in the same category as more commonly outsourced functions, such as dining services or maintenance of office equipment. That may explain why many businesses hesitate to totally outsource a function so strategically vital as training and development.

That's where strategic insourcing comes into play. As an alliance of internal and external training providers, strategic insourcing aims to overcome many of the strategic challenges and all-or-nothing limitations of traditional outsourcing.

Bringing the outside in blends internal and external resources—and creates a hybrid organization.

Blending the old with the new

In its purest form, a strategic insourcing relationship is not one of user versus supplier, in which the user simply turns over responsibility to an outsider. Rather, a strategic insourcing model aspires to be the best of both worlds: It blends internal and external training and development staffs, bringing together the accumulated knowledge of an organization and the expertise and flexibility of an outsider. The resulting hybrid organization has shared goals; shared accountability; and, more importantly, a shared destiny. The alliance confers with senior management to define goals, is integrated into business teams and the planning process, and has responsibility for jointly developed objectives.

In that scenario, success is not measured by a single outcome but by the success of the partners in working toward common, long-term goals—be they cost reduction, improved speed, improved quality, or the like. Moreover, the collective perspective of the insourcing alliance gives it unique insight into the situation-specific learning needs of a business and the ever-expanding range of learning options currently available. Here are some advantages of a strategic insourcing alliance:

- **Speed of service.** Learning needs are met more quickly because the external partner has access to a broad range of capabilities both from within its own organization and from other training suppliers.
- **Expertise.** The organization's full capabilities and research dedicated to learning are placed at the disposal of the business.
- **Flexibility.** Executives can plug in precisely selected training and development resources just-in-time to address urgent, unique needs and unplug those resources once those needs have been met.
- **Single point of contact.** Not only can businesspeople look to one place for their full complement of solutions, but they also can look to one partner to be fully accountable for the services and value provided.
- **Cost improvement.** The typical strategic insourcing alliance can reduce training expenditures by 15 to 20 percent in the first year.

Those advantages have proven attractive to a number of companies such as The Moore Corporation of

Toronto, a $3 billion provider of customized printing, direct mail advertising, internal forms systems, and other business communications services. Notes Dennis McGurer, vice president for Moore's training and development, "Moore provides business communications services. That's where we have to invest our money. But a top training provider is going to spend millions researching and developing training solutions. They're also going to go out and get the best instructors in the profession. Because if their training capabilities are sub par, they're out of business."

Getting started

Not surprisingly, the transformation of a traditional training and development function into an insourcing alliance isn't easy. In fact, it is a radical change that poses many challenges. Any organization choosing to pursue this path must do so in thoughtfully sequenced phases. Skipping or shortchanging any phase will doom the effort.

The first phase focuses on assessing the current situation—and the degree to which training is being run like a business with the same measures of efficiency, accountability, and business linkage characteristic of a high-performance organization. DuPont, based in Wilmington, Delaware, officially launched its strategic insourcing alliance in August 1993. The assessment involved talking with DuPont executives about their needs—not about their training needs but such business issues as market share, profitable growth, customer retention, and cost containment. Much the same approach was used at Moore.

"You absolutely need to start with an assessment of where you are in relation to the business," contends McGurer. He says that he went forward with the assessment phase without total support from the corporation. "If I'd asked, they would probably have said we don't need any assessment, because they didn't find past assessments particularly meaningful. Now, I think they'd say that the assessment put us on a whole new path."

The experience at Mellon Bank was similar. "We spoke with Mellon line managers throughout the country," recalls Beth Knobloch, vice president of human resources at the Pittsburgh-based bank. "Actually, we'd try to spend at least a day or two in each location so we could talk to people at all levels. What came out of those visits were some pretty consistent priorities. Most people saw an immediate need for more supervisory and middle-management skills training, plus some basic skills courses for our nonexempt people."

"That knowledge was important," Knobloch continues. "But looking back, I'd say the biggest benefit we got from the assessment was that it opened new lines of communication. Over the next seven months, we worked hard to keep those lines open. We let people know that if they had additional needs, we wanted to hear about them. We reached a point where the whole organization was involved in shaping our new corporate curriculum."

Assessments, however, don't necessarily lead to an insourcing strategy. Sometimes, they will surface only a minimal opportunity for change—or a recommendation to keep the function inside. In fact, about 50 percent of the assessments conducted by Boston-based The Forum Corporation have led to decisions not to insource. The reasons vary—the numbers don't work, training needs are too technical, the culture isn't right, and so forth.

The devil is in the detail

Assuming a decision is made to go forward with strategic insourcing, an organization moves into the second phase: planning. The experience at Mellon, DuPont, Moore, and other organizations suggests five critical planning tasks:

1. **Scoping** the full-scale operation. Essentially, envisioning what the alliance will be; defining its dimensions; and identifying critical success factors.
2. **Mapping and structuring** the future organization and relationship. Designing a customer-focused partnership, developing a list of core competencies, clarifying roles and responsibilities, and developing position descriptions.
3. **Speccing** the installation. Identifying product offerings and the design, development, and delivery requirements; identifying the processes, systems, data, and technology to be installed; and developing a detailed work breakdown for the installation of each process.
4. **Developing** employee transition plans. Designing and developing a hiring and placement plan; determining salary, benefits, and performance evaluation processes; and developing communication and orientation processes for employees of the alliance.
5. **Creating** the communications plan. Designing and developing pre- and post-announcements, and preparing events and rollout meetings, as appropriate.

Clearly, planning for a strategic insourcing alliance is different from the planning done by most traditional training and development organizations. It is demand-driven rather than budget-driven; stresses responsiveness over structure, schedule, and predictability; and pursues quick wins even before planning is complete.

"I sat down with our on-site manager from The Forum Corporation and went through our notes from the visits," reports Knobloch. "We came up with a plan for what courses we'd deliver, when we'd deliver them, and how we would communicate them. But we'd found that certain lines of business wanted certain courses immediately. So, we delivered them. We didn't make our customers wait."

Following on the heels of planning comes the installation phase—the process of setting up the systems, staff, and offerings necessary to service the client organization impeccably. Though as many as 22 separate processes are involved in this phase, these key activities can spell the difference between success and failure:

- **Implementing an employee transition process.** Reviewing the competency and skills of current staff, posting descriptions and announcing the selection process, interviewing and selecting staff, communicating the transition plan, implementing a departure sign-out process, and implementing an orientation sign-in process.
- **Aligning and training the alliance staff.** Developing an ongoing plan to build team commitment and develop a culture and norms for the new organization; implementing knowledge, skills, and team training; and developing ongoing individual and team development plans.
- **Establishing processes and the infrastructure.** Ordering equipment; loading data for integrated information systems to support such things as registration, internal and external resourcing, scheduling, materials, and billing; and testing systems.
- **Developing and documenting offer-**

ings, policies, and procedures. Completing the design and development of standard training offerings; and developing and documenting operating policies, guidelines, and procedures for key systems and processes.

❑ **Executing the communications plan.** Releasing announcements; distributing Q&As for executives, line managers, and the training organization; and holding a kickoff event.

The business of adding value

Clearly, many factors contribute to a successful strategic insourcing alliance. The most important, however, is how well an organization attends to customers, to staff, and to results.

Understanding internal customers and linking solutions to their needs is vital. Though an alliance might develop and deliver standard training offerings, its people spend most of the time responding to very specific training requests and working with their customers toward diverse and constantly changing business objectives.

"Our new corporate curriculum is constantly being shaped and reshaped by the rest of the bank," says Knobloch. "A few people from one of our lines might participate in one of the standard programs we created in response to the assessment findings. Then, their managers see the impact and call us to ask for a custom version of that training for the entire work group. You have to react to requests you didn't anticipate, but we'd much rather do that than spend our time pushing a curriculum on our customers."

Adds McGurer, "The key is to be in touch with your clients, from the top of the corporation to the support staff. You need to ask them, 'What are you trying to do?' not 'Wouldn't you like to have this training program?' The more you're in touch with their objectives, the greater your opportunity is to affect business results. And the more you improve business results, the more welcome training and development will be at the tables where the important decisions are made."

In terms of staff, the most worrisome aspect for the heads of training organizations is assigning internal staff. In most alliances, employees of the client organization will become alliance employees or move to other parts of the client organization. A few might remain in their existing roles directing and supporting the alliance.

"There was a strong fear of the unknown, especially below the senior levels. It's only natural that people feel threatened, that they experience some trauma of change," explains McGurer. "But we worked hard to make sure there were no losers in this transition. If we didn't do that—if we callously had cut loose 30 percent of our staff—they'd say we didn't take care of those people, and the alliance would be hampered by the lingering hostility. So, we made sure that everyone who didn't join the alliance was placed into positions that made them happy."

As for results, strategic insourcing is about being responsive and accountable to line managers and demonstrating more clearly how training adds unmistakable business value—moving training and development from the classroom to the boardroom. Measuring the impact of training programs is important, but just as important is measuring the impact of an alliance on the business.

An alliance can deliver enormous benefits under the right circumstance. DuPont systematically eliminated non-value-adding and redundant course offerings, trimming its course catalogue from close to 100 percent traditional, generic, and individual improvement programs to 66 percent issues-focused projects—training that responds to a customer's specific business need.

At Mellon Bank, corporate training and development largely has been freed from the role of pushing training on line managers and has moved instead to the challenging but far more satisfying role of rapidly fulfilling training needs articulated by the lines of business.

Both DuPont and Moore have eliminated fixed costs for training. Each business unit's training cost is now fully variable according to its needs. Line managers know exactly what they will spend on training, and they make their own cost-value decisions before engaging the alliance.

If you are among those training executives who need to deliver more from learning than ever before, then you too may want to consider a strategic insourcing option. ❑

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The Birth of Strategic Insourcing at DuPont

In 1993, DuPont was engaged in a massive reengineering effort. Its overarching goal was to be a great global company through people, while driving at least $1 billion in costs out of the business. Everything was under the microscope, including corporate training and education. At the time, DuPont offered thousands of open-enrollment courses accumulated over many years, including no fewer than 54 separate time-management courses. Moreover, the training department had no proof that any course in itself delivered real business value because it measured level of activity (for example, number of employees trained) rather than business impact.

To live up to the merging requirement of its key customers, training needed to transform itself in these fundamental ways:

❑ from a corporate staff function to a value-adding business

❑ from building competencies to addressing business issues

❑ from a fixed-cost organization to a variable-cost service.

After considering many alternatives, the training department decided to bring in an outside training resource to the company and merge it with the best people on DuPont's training staff, creating an entirely new organization—The Forum Learning Alliance. The alliance retained the accumulated experience and knowledge base of DuPont training and education, offered major new training capabilities, and operated as a variable-cost, value-adding business. The alliance officially replaced corporate T&E in August 1993.

Is Strategic Insourcing Right for Your Organization?

When considering strategic insourcing as an appropriate and viable option for your organization, first ask:

- ❑ What business are we in?
- ❑ What is our core competency?
- ❑ Is training a core competency?
- ❑ What training and development activities deliver the greatest business value?
- ❑ Do our executives feel that training and development could or should deliver more business value?
- ❑ Can we achieve the business objectives—and do it better, faster, cheaper—by relying on our in-house sources, or should we find an insourcing partner?
- ❑ Have we had positive experiences with outsourcing in other areas?
- ❑ Is our culture prepared to accept new structures and approaches?