

Best Practices White Paper



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Build vs. Buy Outsourcing the Training Function

by *Tristram Brown, President & CEO, LSA Global*

Admittedly, my head was in the sand.

About 10 years ago, my boss (the CEO) asked me if we should consider outsourcing some of our training function. The question caught me off guard. Was this a reflection on me and my team? Did other executives think that we couldn't handle it? After some research and sound advice, I learned that my initial reaction was pretty naïve.

I was running HR and Organizational Strategies for a soon-to-be 2,500 person consulting firm. Along with the 100 other tasks on our plates, we were in the process of building world class sales, leadership, and management programs for our top talent.



Asking for outside help was far from our minds. We wanted to prove to some new members of the executive team that we "had what it takes." We felt that, if we used outside experts, we would not be as valued as if we designed, delivered, and managed the training all by ourselves.

Fortunately for me (and for the company), some wiser and more experienced people pointed us in the right direction. We realized that the goal was to get the best results in the fastest and least expensive way possible--not necessarily to do it on our own. We decided to investigate outsourcing options and eventually chose a partner to help us achieve the results we wanted quickly and economically.

In only 3 years, we grew from 150 bright but disparate people to 2,500 global professionals. As with many companies, our stock went from \$13 to \$200+. We were all riding high. With the help of our outsourcing partner, we were able to attract, develop, and retain the top talent that we needed to exceed our revenue targets. We did all this with a two person training staff. We saved close to \$2 million dollars in expenses and yet, thanks to our partner's global reach, were able to access expert resources and best practices around the world. This was a major accomplishment for our team. It paved the way for some wonderful projects.

Then the internet bubble burst. In order to survive, the company had to downsize to a few hundred key players and dramatically cut costs. With a single phone call to our Training Outsource Partner, we in the HR and Organizational Strategies organization were able to stop projects midstream and greatly reduce our costs faster than other departments. This saved us from incurring additional layoffs and made us look responsive and decisive in the eyes of the executive team. As with many companies during the internet bubble days, we eventually sold ourselves to a much larger company at a steep discount from our heyday.

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The flexibility and value of using strategic outsource partners allowed us to scale rapidly on the way up without sacrificing quality. It also saved our hide on the way down when we had to quickly reduce expenses and change focus. That experience was a valuable lesson. Learning that outsourcing works is one of the key reasons I became CEO of LSA Global.

Below are some critical lessons from those crazy days that do not seem so different from the turbulence that we are experiencing in our economy today. The more things change, the more they stay the same.

1. **First, understand or create a clear and compelling business strategy.**

While this seems like common sense, we continue to be surprised at how many seemingly successful companies have unclear business goals. Before considering the risks and benefits of outsourcing portions of your training function, you should make sure that the following basic strategic questions have been answered.

- **Strategic Drivers:** What are our company's mission, vision, and values?
- **SWOT:** What are the market threats and opportunities that we face?
- **Differentiation:** What unique value do we offer our customers, partners, and employees?
- **Key Actions:** What critical few strategic actions will we take in the next 12 to 36 months to achieve our goals?
- **Success Metrics:** How will we know if we are on track?



A vague or unshared strategy does not provide the necessary anchor points to ensure the necessary relevance, resources, and reinforcement required to make learning and development a success. Any savvy HR executive will fight for clear business goals and leadership support before investing in full-scale workforce development or developing an effective training outsourcing strategy that includes assessment, implementation, and measurement.

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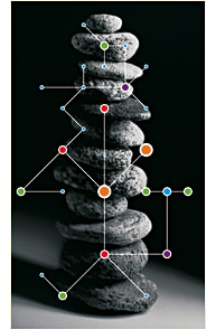


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2. Second, create a clear and compelling HR strategy explicitly linked to your business strategy.

The data behind the value of human capital has become too compelling for even the most ardent skeptics to ignore. To be relevant, HR must be responsible for creating a clear and compelling plan that outlines how they will attract, develop, motivate, and retain top talent. Typical questions at this stage include:

- **True North:** What are the specific organizational performance metrics, critical projects, and strategic goals that we in HR can impact in the next 12 to 36 months?
- ***Competencies:** What employee competencies and behaviors are the most critical toward enabling our business to meet its short and long term goals?
- **Practices:** What HR strategies and practices will have the greatest impact?
- **Key Actions:** What critical few strategic actions will we take in the next 12 to 36 months to achieve our goals?
- **Success Metrics:** How will we know if we are helping the business?



**A quick note on competencies. In the right circumstances, we believe that competencies can provide a valuable link between “People” and “The Business.” With that said, we continue to see entire HR and training departments go “off the deep end” with competencies. One recent client came to us with a list of hundreds of “key” competencies that were “critical” to their success. Another, in pursuit of the perfect competencies, unknowingly ignored two key projects that were critical to the company’s success. When utilizing competencies, stay focused on helping the business succeed (not building competencies), keep the lists short, and be as simple as possible.*

3. Lastly, ask yourself, does it make more sense to develop the solution internally or use outside resources to succeed?

While much has been written regarding the build vs. buy decision for technology solutions, there is little literature regarding build vs. buy for learning solutions or the training function as a whole. Before speaking with a potential outsourcing partner or finalizing your decision to outsource a function, program, or project, we recommend that you review the following areas.

To begin, you should ask yourself the following types of questions to help decide if an external resource makes sense; and then your potential outsourcing partner should be asking you similar questions if they are results-oriented and truly focused on helping you succeed.

Overall

- Do you understand the pain the problem/need is causing across all levels of the organization?
- Do you understand the key causes and constraints and how the problem came about?
- What has stopped it from being resolved before now?
- Do you understand the business objectives and success metrics?
- Do you understand the business and personal benefits to all key stakeholders?
- Do you understand the bigger business and marketplace context?



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Cost

- Will outsourcing reduce operating costs? Short term? Long term?
- Have you compared Build vs. Buy return on investment scenarios?
- Are you willing to invest internally in hiring, managing, firing, researching, assessing, designing, marketing, delivering, and evaluating solutions?

Quality

- Do you have the internal resources and expertise to effectively meet the objectives? Have they successfully done it before at a company like yours?
- Is it worth hiring, managing, and dealing with them?
- Is this the best use of these internal resources vis-à-vis other strategic priorities that they could focus on if you freed up their time?
- How can you most effectively deliver and scale up or down with changing business needs?
- Would you benefit from access to best practices outside the organization?
- Should you outsource some or all of the function/project?
- Is this your core competence? Should it be? Will it help you to develop one that you want?
- Would you gain valuable partnership benefits and contacts?
- What would work best in your culture?

Time

- Do you have the time to build it internally?
- Will outsourcing increase speed to better results?

In Closing-- Outsourcing for Cost Savings, Speed, and Strategic Growth

A decade ago, an Outsourcing Institute study (see below) found that while most enterprises struggled to survive, the outsourcing industry continued to thrive. A decade ago, cost reduction drove many companies to seek short-term, “band aid” solutions and tactical benefits through outsourcing. Today, Training Outsourcing is no longer only about cost savings. Now Training Outsourcing, in one form or another, is an essential component of the operational, growth, and human capital strategies for most corporations.

If you are like most of our clients, you are trying to “do more with less” while aggressively driving revenue in these cautious and uncertain times. In our opinion, the more uncertainty you face, the more viable Training Outsourcing becomes as an alternative to hiring and as an option to completing key projects faster and more effectively. Think about using “other people’s resources.” Done right, it should save you time. Done right, it should save you money. And done right, it should allow you to accomplish key objectives while allowing your internal resources to focus on what they do best.

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Here's a quick "checklist" of the "Top Ten" that can help you, as it did me, that decade ago.

<p>Top 10 Reasons Companies Outsource</p> <ol style="list-style-type: none"> 1. Reduce and control operating costs 2. Improve company focus 3. Gain access to world-class capabilities 4. Free internal resources for other purposes 5. Resources are not available internally 6. Accelerate reengineering benefits 7. Function difficult to manage/out of control 8. Make capital funds available 9. Share risks 10. Cash infusion 	<p>Top 10 Factors for Successful Outsourcing</p> <ol style="list-style-type: none"> 1. Understanding company goals and objectives 2. A strategic vision and plan 3. Selecting the right vendor 4. Ongoing management of the relationships 5. A properly structured contract 6. Open communication with affected individual/groups 7. Senior executive support and involvement 8. Careful attention to personnel issues 9. Near term financial justification 10. Use of outside expertise
<p>Top 10 Factors in Vendor Selection</p> <ol style="list-style-type: none"> 1. Commitment to quality 2. Price 3. References/reputation 4. Flexible contract terms 5. Scope of resources 6. Additional value-added capability 7. Cultural match 8. Existing relationship 9. Location 10. Other 	

Source: Survey of Current and Potential Outsourcing End-Users. The Outsourcing Institute Membership

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We help make companies more competitive through people.

Founded in 1995 on the principle that training "by itself" will not drive tangible change or business results, we work with a select group of clients to get the most out of their people. Every training and consulting solution we provide increases revenue, decreases costs, or raises productivity.

Who we work with

Our clients are typically mid-market business leaders who believe that investing in people is vital to their success. The majority come from the high-tech, life-sciences, and service industries and often lack the internal resources or expertise to get the job done. They want more than what traditional training and consulting approaches can deliver.

What we do

We get results. Our one-stop-shop offerings range from creating a high performance culture, to outsourcing the training function, to designing and delivering targeted learning solutions. We excel in seven key practice areas: assessment, sales, loyalty, leadership, management, project management, and measurement.

How we do it

We partner with our clients in a way that makes sense for their unique situation. First we identify the key metrics they want to improve. Then we assemble a dedicated team of experts who have successfully solved similar problems with similar clients. Our expertise and flexibility allow us to move the performance needle faster and farther than anyone else in our industry.

Our Guarantee

We are fiercely devoted to the success of our clients and guarantee results.



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Our clients tells us that we are different.

Our clients tell us that we save them both time and money. Our clients tell us that they appreciate access to certified best-in-class experts who help them to move the needle.

Our sales clients

confirm that they have grown sales by 40%, increased units sold by 42%, increased average pricing by 12%, and closed over 50% of their pipeline.

Our customer loyalty clients

confirm that their customer revenue per household increased by 18%, repeat calls decreased by 48.4%, single contact resolution increased by 6.1% and their overall customer satisfaction increased by 10%.

Our leadership and management clients

decrease their costs by up to 50%, increase speed-to-productivity by 60%, accelerate promotions by 20%, decrease unwanted attrition by up to 40%, and report an additional \$13m to their bottom-line.

Our project management clients

inform us that, by regularly completing projects that meet or exceed expectations, they have become an anomaly in the world where most projects disappoint or fail.

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LSA Client wins 2010.. Learning LEADERS

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Leadership Development Program
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Representative Clients

We are fiercely devoted to the success of our clients and proud that over 85% of our business comes from repeat business with satisfied clients.



97.5% client satisfaction

98.2% recommend LSA

98% solution satisfaction

129% knowledge gain

800+ Assessment and Measurement Projects

45+ Client Case Studies

100+ Client Testimonials

Top 10% Certified Experts