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LSA Global | White Paper

Build vs. Buy?

Outsourcing the Training Function

by Tris Brown, President & CEO, LSA Global

Does it make more sense to develop the solution internally or use outside resources? While much has been written regarding the build vs. buy decision for technology solutions, there is little literature regarding learning solutions or the training function as a whole.

While we believe that build vs. buy is a good question to ask, it is not necessarily the first, only, or best question to ask. In order to determine what makes sense for your specific situation, we recommend considering the following questions and reviewing the enclosed articles on outsourcing.

- **5 Key Business Questions to Consider before Outsourcing**
- **Key Cost, Quality, and Time Questions Regarding Outsourcing**
- **Outsourcing for Cost Savings, Speed, and Strategic Growth**
- **Top 10 Reasons Companies Outsource**
- **Top 10 Factors for Successful Outsourcing**
- **Top 10 Factors in Vendor Selection**
- **With LSA vs. Without LSA**



5 Key Business Questions to Consider before Outsourcing

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 questions. At a minimum, your potential vendor or partner should be asking these questions to ensure that they are adding clear value.

1. Do you understand all of the symptoms?

- What is the context of the issue? What are the facts and the technical issues?
- What pain is the problem causing? How is it felt specifically? How does the problem manifest itself in your organization?
- How bad is the pain? How big is the problem? What is the value of solving the problem? What is the value of not achieving your desired result? What are the consequences to you? Your boss? Your organization?
- Who/what else is affected? Is that important?

2. Do you understand the key causes and constraints?

- How did the problem come about?
- What has stopped it from being resolved before now?

3. Do you understand the business objectives?

- What are the positive desired results?
- What are the benefits of solving the problem or fulfilling an opportunity?
- How will you know success has been achieved?

4. Do you understand the benefits?

- What is the payoff from each outcome?

5. Do you understand the bigger picture?

- If you were the CEO (or General Manager) of your company, would you care about this problem? Why? What about the solution would be valuable to you?
- Is there anything else to consider?
- Has anything been left out?
- Is there anything or anyone that would inhibit the successful implementation of a solution?



Key Cost, Quality, and Time Questions Regarding Outsourcing

We believe that the outsourcing of a function, program, or project should provide clear cost, quality, and time benefits to an organization. Here is a list of typical questions that we believe should be addressed.

Cost

Will outsourcing reduce costs? Short term? Long term?

Have you compared Build vs. Buy return on investment scenarios?

Do you want to invest internally in hiring, managing, firing, researching, assessing, designing, marketing, delivering, and evaluating solutions?

Quality

Do you have the internal resources to effectively meet the objectives? Is this the best use of these resources vis-à-vis other strategic priorities?

How can you most effectively deliver and scale up or down with changing and anticipated business needs?

Would you benefit from access to best practices and world class quality 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 develop one?

Would you gain valuable partnership benefits and contacts?

What would work best in your culture?

Time

Will outsourcing increase speed to better results?

Do you have the time to build it internally?

Outsourcing for Cost Savings, Speed, and Strategic Growth

A recent Outsourcing Institute study found that while most enterprises try to survive, the outsourcing industry continues to thrive.

A decade ago, cost reduction took center stage as companies sought short-term, “band aid” solutions from outsourcing and received equivalent tactical benefits. But, the market has turned. It’s “do or die” and outsourcing is no longer about cost savings. Now it’s an essential revenue and growth strategy for every corporation.

In this unpredictable—and mostly down—economy where most companies struggle to “do more with less,” outsourcing is not only a clever alternative to hiring, but also a means to turn “big picture” goals into reality faster and more effectively than ever—with measurable returns. Now everybody wants to plug into “OPR”—other people’s resources—and strategically focus internal resources towards doing what they do best. No more, no less.

Source: The Fifth Annual Outsourcing Index
The Outsourcing Institute Membership, 1998



Top 10 Reasons Companies Outsource

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

Source: Survey of Current and Potential Outsourcing End-Users
The Outsourcing Institute Membership, 1998

Top 10 Factors for Successful Outsourcing

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

Source: Survey of Current and Potential Outsourcing End-Users
The Outsourcing Institute Membership, 1998

Top 10 Factors in Vendor Selection

The factors listed below are relevant to both our partners and clients. We find that the ranking of the various factors shifts with specific business situations, philosophies, and industries. In addition to the factors listed below, our clients typically use Speed to Results as a key criteria in selecting an outsourcing partner or vendor.

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, 1998



With LSA vs. Without LSA

Since 1995, we have focused on adding clear value to our clients. The list below represents the top 10 areas that our customers tell us that they appreciate about outsourcing functions, programs, and projects to LSA.

| With LSA | Without LSA |
|-----------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|
| 1. Guaranteed results | Inconsistent quality, pricing, and results |
| 2. Focus on partnering with business units to drive meaningful results | Tie up valuable resources on administration and non value-added activities to your customers |
| 3. Select from pre-qualified, proven world-class experts, approaches, and practices | Invest resources reinventing the wheel, sourcing, qualifying, managing, and auditing multiple unproven vendors and cumbersome RFPs |
| 4. Receive a 24+% ROI and clear business cases supporting each project based upon best practices | Forego discounts across multiple vendors and projects and spend time creating internal justification |
| 5. Have one point of contact, one invoice, and one contract | Deal with multiple contacts, relationships, invoices, purchase orders, and negotiations |
| 6. Leave the logistics to us | Invest in managing scheduling, marketing, registration, materials, changes, etc |
| 7. Access to the LSA Success Cycle™ used to measure results (levels 1-5) and prioritize next steps | Invest in collecting, summarizing, and analyzing individual results and evaluations and determining next steps |
| 8. Access to objective Industry-wide options designed for your specific business, culture, industry, and budget | Sort through multiple vendors selling isolated, one-off, off-the-shelf training events based upon what they have available |
| 9. Have an objective Account Consultant assigned to your account at no cost | Use only internal resources and paid vendors to drive success |
| 10. Utilize integrated solutions across multiple vendors, content areas, and processes | Invest time and money "patching" together independent vendor solutions |

About LSA Global

Since 1995, LSA has helped organizations create and maintain distinct competitive advantages through human capital. We work with leading organizations to drive success through their people and the strategies, structures, systems, and processes that attract, inspire, develop, and retain top talent. Our solutions focus on the areas of:

- Sales Revenue Growth
- Leadership and Management Performance
- Project Management Performance
- Human Resource Performance
- Strategy Execution and Transformation
- Customer Service, Satisfaction, and Loyalty

We believe our clients' success in the marketplace is realized through increased revenue, decreased costs, and higher productivity.

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 and that we have a 97%+ customer satisfaction rating.

