HOW TO BUY
LEARNING & DEVELOPMENT

A 6-Step Procurement Strategy Guide

By Tom Curry

Infopro Learning

> **With third party training spend approaching $149 billion worldwide, the following white paper will be of interest to both the chief learning officer and the procurement professional.**
>
> It is safe to say that most organizations have placed an increased emphasis on their return on training investment dollars. This paper describes both the challenges and opportunities for outsourcing training in today's complex environment with a pragmatic 6-step action plan.

Tom Curry
Procurement Consultant

Today's organizations are under increasing stress to reduce the time-to-market cycles while still reaping the most return on training investment dollars.

As corporate training's impact grows on the organization, the procurement department has to be well prepared to meet this challenge. Through the use of sound sourcing principals, combined with a full understanding of training's unique requirements, will lead to successful purchasing outcomes.

What do all of these events have in common?
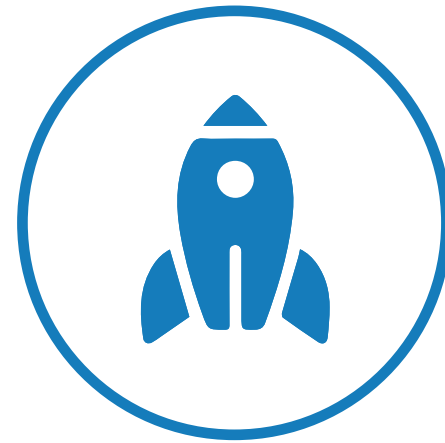
A new
product launch

A new process
for manufacturing

New employee
on-boarding

Sales performance
is off 5% to projected forecasts

Employee moving
to management position

The answer is they all are candidates for **training opportunities**. As such, if the training event is not conducted in-house, then it is outsourced to a third party organization to execute the training requirements.

Increasingly, companies are outsourcing their training projects if it is not part of their core competencies as the following chart depicts:

Training Outsourcing Marketplace trends
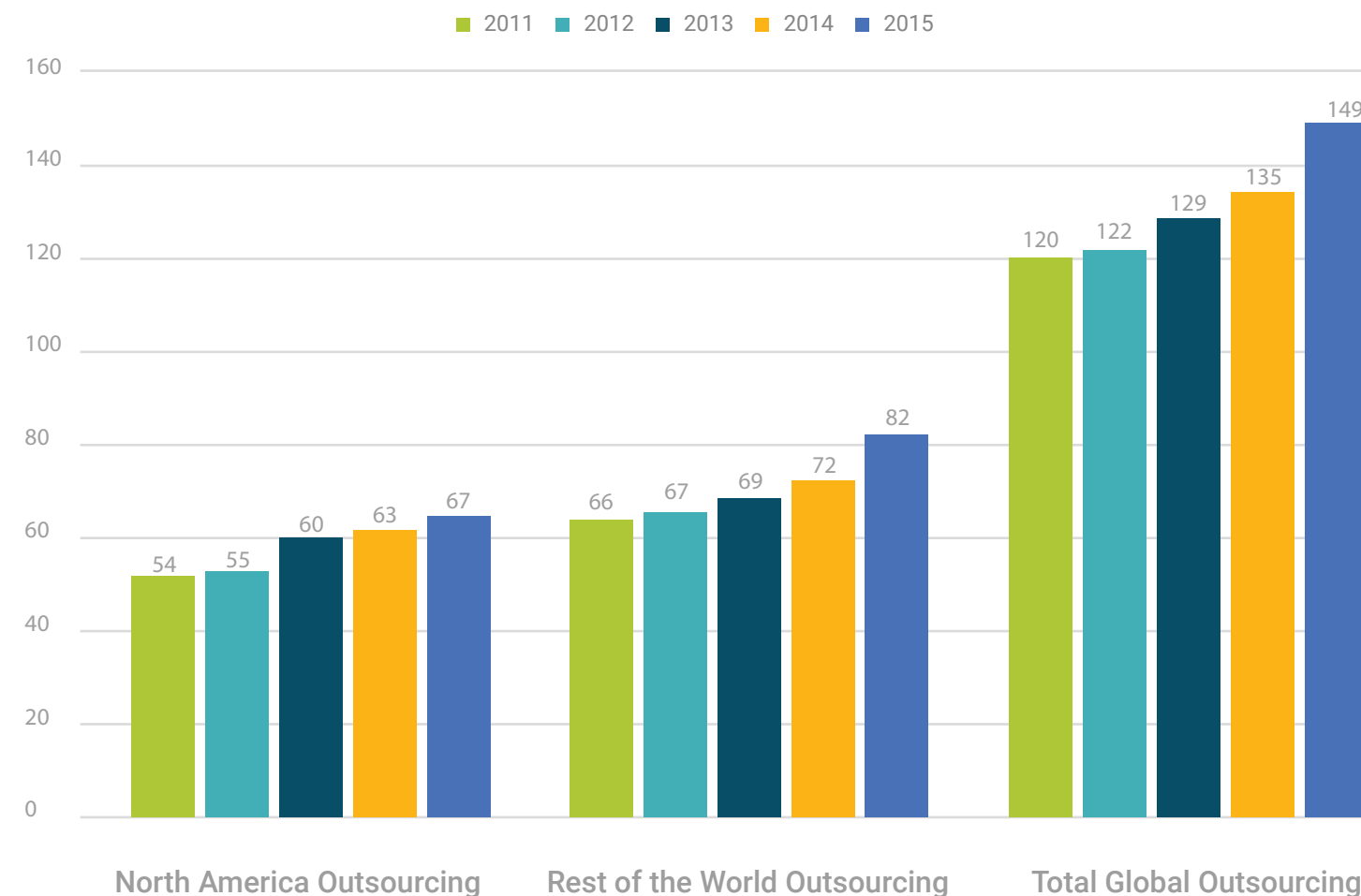
Spend in USD (billions) : Source Training Industry Incry.com

So, it's clear that outsourcing training projects are a way of life. As such, this is an opportunity for procurement to engage the end user stakeholders either directly or as part of the project team with the in-house training department(s).

Even if the training event is developed in house, procurement still plays a role by linking the stakeholders to the training organization if they are not already working together. If the training project is to be outsourced to a third party, then that's an opportunity for procurement to really swing into action!

The Problem Facing
Training Outsourcing

So what are the issues with sourcing training in today's organization? First, as most organizations are complex in nature, the training spend is decentralized across differing lines of business.

This leads to both spend duplication and a proliferation of training suppliers to support the business needs. Thus, the organization is not leveraging its total training spend as a cost competitive advantage.

As the prior graph shows, organizations are spending a lot on training, but the key question should be, **how** does the company spend its training budget dollars?

> Are there multiple suppliers performing similar tasks?

> Is the organization utilizing prior completed (and paid for) projects that can be re-purposed?

> Are training suppliers being selected for short-term projects rather than for long term strategic plans?

> Is the organization choosing suppliers and not strategic partners?

> Is the organization correctly aligned for training program success or does it contribute to duplication and short-term results?

The Solution:
A Learning and Development Outsourcing Strategy

In order to achieve the most value for your training budget, a cohesive sourcing strategy must be developed, executed, measured and managed.

To achieve
this objective here are
6 steps on how to buy learning and development outsourcing.

01 COLLECT
Collect all pertinent training data, both historically and forecasted

02 ANALYZE
Analyze the company's training needs at the macro level to manage total costs

03 DEVELOP
Develop a long term strategy, not a reactionary transactional process

04 IMPLEMENT
Implement on your sourcing strategy with well-crafted request for proposals

05 SELECT
Select strategic training partners not short term training suppliers

06 MANAGE
Manage the strategic relationship alignment through value management

01 **Collect**

Typically, the best place to start in developing a training sourcing strategy is to collect data in order to assess your organization's historical training profile. This will enable you to understand the nuances of training moving forward.

Again, this task is a little more complex than other category spend patterns, especially in multinational organizations without a centralized budget process. Just getting line of sight on all of your organization's training spend can be quite a challenge. This is due to a number of factors:

A If your organization's training budgets are decentralized as mentioned, then the visibility to overall training spend becomes more complex as each department and lines of business will have their own training budgets to review.

B You may have to review your company's travel and expense data (if your organization does indeed capture transactional details). Conference and hotel expenses can include offsite training engagements which are "buried in these details".

C As you assess spending patterns for this category (or any category for that matter), try to capture the true cost of ownership (total costs) such as:

> Staff support costs (both direct and indirect)

> Infrastructure support cost such as maintenance and annual software license fees

> Administration support costs, either in house or third party, for coordination any training events such as scheduling, testing, surveys, etc.

> Any other support costs such as audio/visual equipment, printing and meals

> Employee productivity costs (short term) when production line workers leave the production line in order to attend either class room or offsite training

Some suggested information sources for assessing training would include the following:

Internal:

> Stakeholder interviews

> Spend data via company accounts payable reports

> Spend data via any purchasing cards (i.e., Amex card)

> System reporting via category code or Standard Industry Code (SIC)

External:

> Industry trade associations (e.g. Training Industry Inc.)

> Peer purchasing groups (e.g., Category and Sourcing Managers - CASME)

> Local chapter of Institute of Supply Management (ISM)

> Consultants and research providers

> Existing supplier base

02 **Analyze**

In developing a strategy for training, it's prudent to take the macro (or global) view to understand the common elements of the training category.

As important as a historical perspective is to gain insight, the most import consideration is to forecast your training requirements for the foreseeable future.

For an accurate understanding, you must combine your knowledge of past activities with the organization's plans for the future inclusive of any annual agreements that will continue long term.

Some of these questions that you will be seeking answers on can include the following to put you on the right track:

Q. **What is the projected spend?**

> What are the total costs of ownership such as staffing, outside consultants, development fees etc. (remember this task from your collect data stage)?

Q. Does your organization have key suppliers?

Q. What are the characteristics of a key supplier?

Q. How are the suppliers selected?

Q. **Do you purchase on:**

> A project by project basis
>
> Part of a longer term phased implementation project plan a mix of both

Q. **Do other parts of the organization have similar needs for the training contemplated?**

03 Develop

Part of the strategy development phase is to identify upcoming projects that are to be sourced at **global**, **regional** or **local** levels across the organization.

Project impact:

> If the project will impact stakeholders across lines of businesses and across multiple geographic areas, then the project should be considered **global**.

> If the project will impact stakeholders in just a particular area, such as regional product launch, then the project should be classified as **regional**.

> If the training project has localized impact then, of course, the project is **local**.

> Procurement and the training department's resources (personnel) should also be aligned to support any **global/regional/local** rollouts as well.

04 **Implement**

Once your strategy has been developed, (and this strategy should include stakeholder concurrence) the next phase would be to implement the sourcing strategy, which typically is through a sourcing event such as a request for proposal (RFP).

This step is of vital importance in order to move forward. As you prepare for the souring event, it's important to understand the components of training for both **common** and **unique** sourcing components.

Common Elements for Sourcing Training Projects

We want to ensure that some key basic procurement project planning elements includes the following:

> Senior management approval

> Approved budget (very important!)

> Engaged stakeholders buy-in

> Well-defined scope of work (the lynchpin of ANY sourcing project)

> Project planning inclusive of all procurement activities such as RFI/RFP or e-auction event dates

Training Unique Elements for Sourcing Training Projects

Although there are similarities of training to other commodity areas, lets briefly touch on what training is not.

It is not consulting nor is it executive coaching. Both of these spend categories have their own particular sourcing characteristics.

Items to be considered unique to training engagements include the following:

> Intellectual property ownership considerations for the training

| Custom training (is the training to be developed) or off the shelf?

> Types of delivery channels such as:

| Face to face

    | Consistent standards/qualifications of the instructors

    | Project ramp up of instructors for any global program roll-outs

| Virtual training

| Classroom training

> License agreement considerations

| Are there any restrictions for training use or can all employees, contractors and consultant's use the training?

| Will the training be hosted by the training company on company assets?

> What is the training transfer plan "ownership of the program" in order for the company to run the training long term, if that is the goal?

> What are standards of training for global launch?

> Translations considerations, if the training is to be offered in multiple languages.

> Single project vs. multiyear or phased approaches

> How to address reschedules and/or cancellations of training

> Are the instructor's expenses covered under your company's travel expense policy?

> Payment terms – prepay vs. post-delivery payments and/or milestone payments

> What technology is required to support the solution(s)?

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05 Select

As mentioned previously, the first area to look at for support for any training projects is the existing in-house training group, if one exists. But, if the requirements are beyond the in-house capabilities or if resources are otherwise engaged, then you must select a third party for your training support.

This raises several other questions:

Can the existing suppliers handle the project in order to leverage your total spend?

> Do the existing suppliers have the background, experience and resources to successfully handle any new projects?

> Does the project estimated budget exceed any company sourcing policies for bidding (e.g. in excess of a specific amount - must be bid)?

> Can the supplier(s) deliver on both existing engagements as well as any new contemplated training programs without impacting quality of multiple programs?

> Can the supplier meet the training requirements globally or regionally as per program timeline requirements?

A simplified process flow chart for this stage would look like the following:
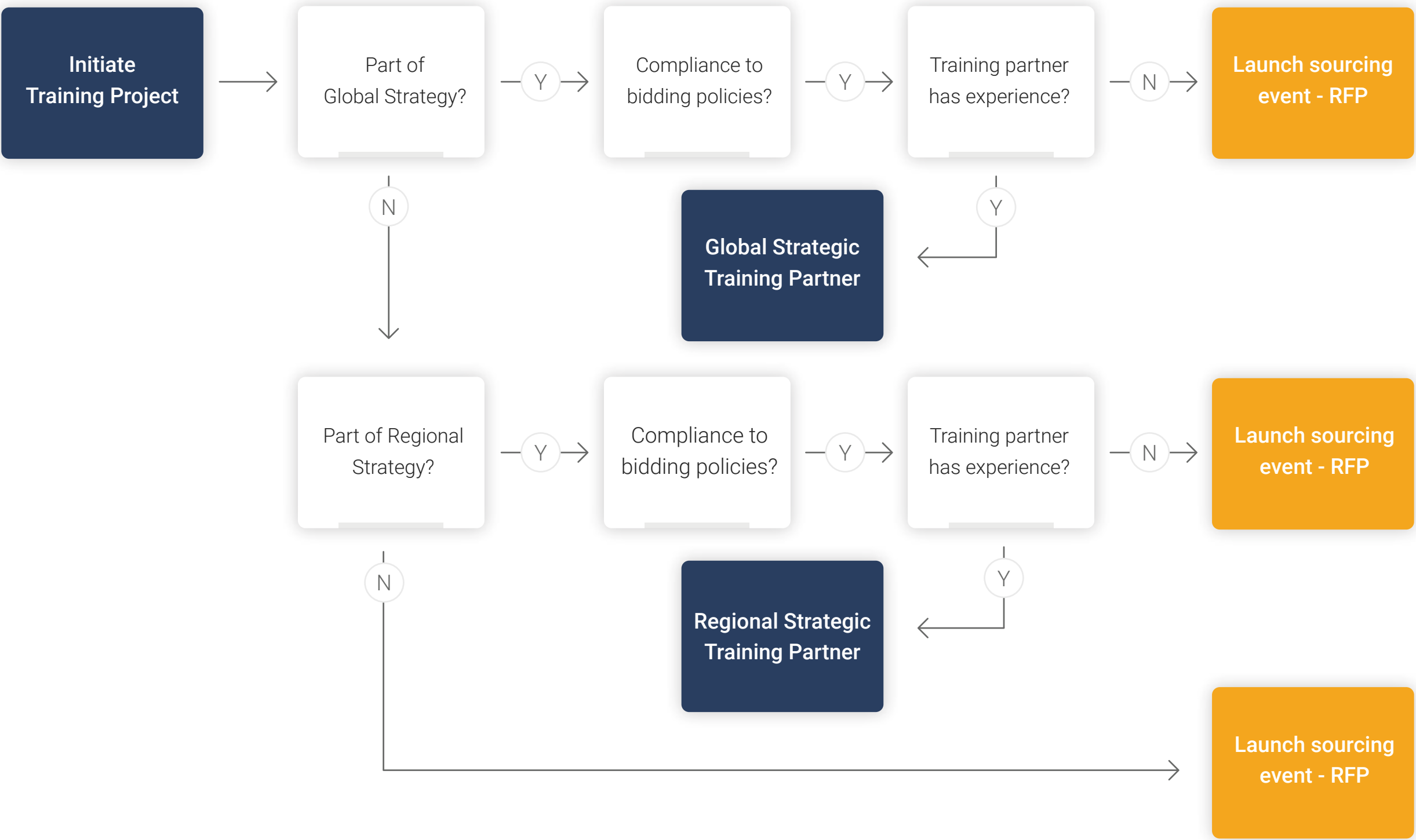
If the answers to the above questions are no, then it makes sense to utilize a sourcing event such as request for proposal for a new supplier(s).

Once it has been determined that a new training provider will be required, then it's important to establish the provider **selection criteria** before sourcing.

This provides for a more efficient process and enables the selection team to know what to look for when proposals are evaluated and a more efficient process translates into quicker cycle times.

The selection criteria may include the following characteristics (this is just a sample and certainly not the only considerations):

- Cultural fit with your organization

- Company experience level

- Assigned team experience level

- Financial stability

- Diversity or minority status

- Scalability capabilities (capacity)

- Price

- Quality

- Turnaround time

- Innovation

- Acceptance of your organizations contract terms and conditions

- Technology capabilities

- Regulation compliances (if a regulated industry)

Another step in this process is to rank and weight your selection criteria. Again, these rankings should be in agreement by all of the stakeholders involved *prior to the sourcing event.*

> **For example, some simple weighted criteria (4 components) may look like:**
>
> | | | | |
> |---|---|---|---|
> | **Cost** | = 25% | **Quality** | = 35% |
> | **Delivery** | = 20% | **Experience** | = 20% |

As your sourcing project planning unfolds, you want to ensure that the following are accomplished:

- Non-disclosure agreements executed before any sourcing events

- Data privacy agreements

- IT assessments (if connecting to your systems or if hosting a program)

- Formulized agreements once supplier selection has been finalized

06 **Manage**

The goal of your sourcing strategy, of course, is to select that strategic partner that best meets the requirements of your project. Once you have arrived at this point in the sourcing project, you want to build on this momentum by ensuring that the provider relationship is successful through value management.

Provider value management will ensure that the critical points of the project are indeed being tracked six months, one year, two years and possibly three years post award.

Some of the training provider based metrics may include:

> Volume based metrics tied to program roll-outs

> Financial based metrics tied to program performance

> Knowledge transfer such as train the trainer, (if assuming management of the program)

> Consistency of training rollout by end user community assessments

> Value based metrics tied to innovative ways that the training partner has increased the value of the program long term to your organization.

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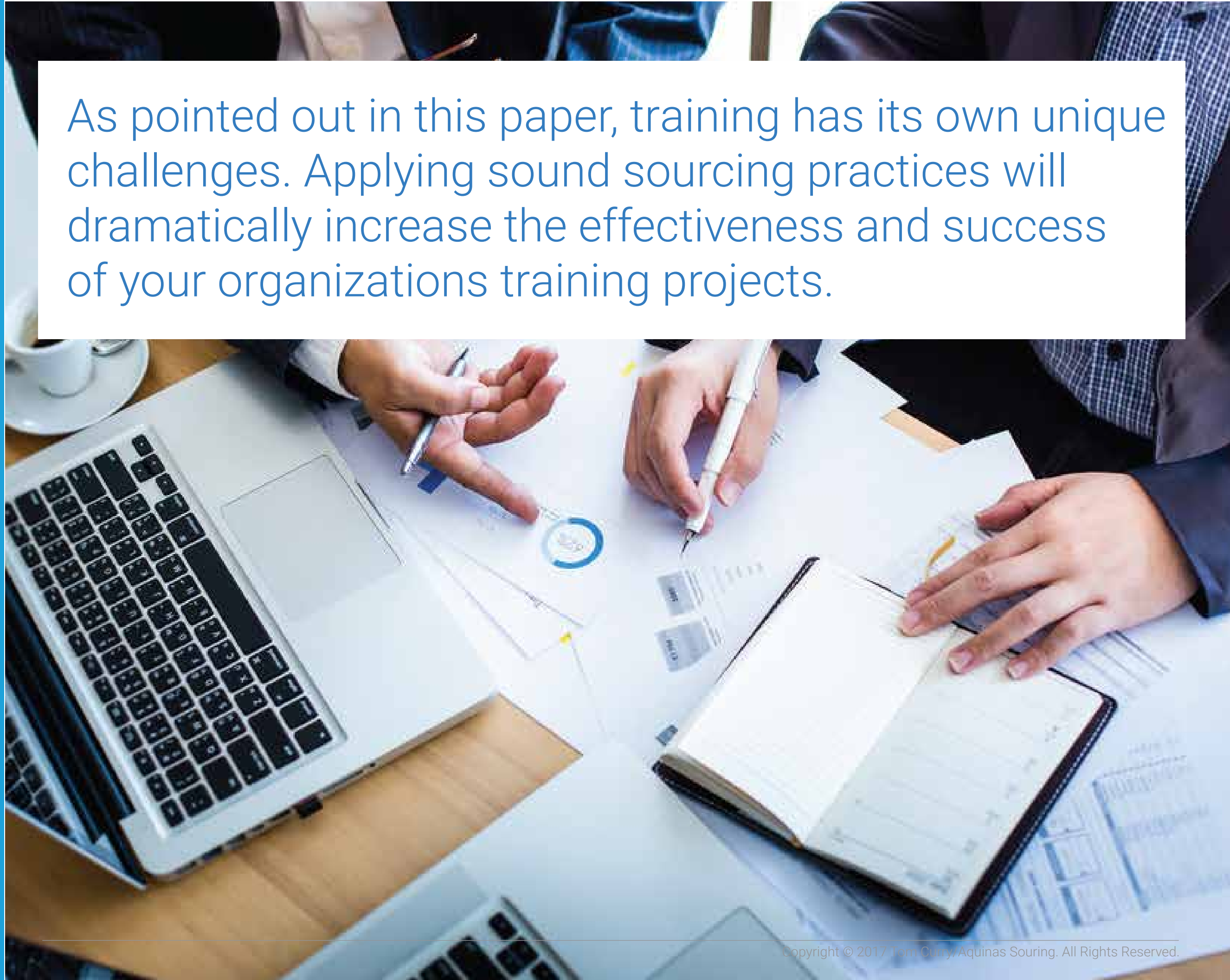
As pointed out in this paper, training has its own unique challenges. Applying sound sourcing practices will dramatically increase the effectiveness and success of your organizations training projects.

About
The Author

Tom Curry is the principal and founder of the Aquinas Sourcing Group.

Tom has over 30 years' experience in the sourcing and procurement profession working for multinational organizations in the telecommunications, pharmaceuticals, utilities and media markets. Tom has an Economics Degree from the University of Arizona and a Master's Degree in Information Systems from Stevens Institute of Technology. Tom is also a Certified Professional Training Manager (C.P.T.M.) from Training Industry Inc.

Aquinas Sourcing Group specializes in procurement and sourcing related projects such as outsourcing proposal development and review and training workshops.

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