

10 Reasons Companies are Outsourcing Training in Today's Market

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- By: Doug Harward

The first quarter of 2010 is shaping up to be a growth market for training products and services. I estimate the overall training services market to be up by more than 6% from 2009 spending levels. It appears that corporate executives are loosening the purse strings and we're seeing positive revenue growth with most every large training supplier. Especially hot markets have been custom content development, sales training, and IT Training. The very good news is this is translating into jobgrowth for the training profession.

So why are companies spending more with external suppliers than they did last year? I think it has a lot to do with the idea that corporate executives do not want to go back to the old way of managing training. They are looking for real change. And finding ways to better leverage the dollars they spend for training.

Here are my Top 10 reasons why companies are currently choosing to source more of their training activities with external suppliers - even during a growing market.

10. Leverage the cost of technology - One of the first expenditures training professionals make when starting up a training organization is to license an LMS/LCMS. Why? Because it is cheaper than designing and building it themselves.

9. Training is Not Core to the Business - For many companies, training is a necessity. But the development, management and delivery of training is a distraction. For companies that manage training everyday, it **IS** core to their business. And they are much better at it!

8. Revenue Generation - What a novel idea...use training as a way to make money! More and more companies are now recognizing that training is a source of revenue, and they have intellectual property that is valued in the market. So they use another company that knows how to market, sell and deliver training to a mass or targeted audience to create new revenues streams. Wondering if this is a good idea? Ask Microsoft, Cisco, and RedHat (just to name a few) if it makes sense to them.

7. Mitigate Risk - Training helps prevent failures. It helps protect us from the liabilities of our company being sued if we don't provide the right training. Think about it this way – if we don't provide the training our employees or customers need, and when they need it, we're vulnerable to being sued if an injury or catastrophic failure occurs. So training reduces our risk. It's easy to see that using a company who specializes in training could help prevent unnecessary failure costs. It sounds like insurance. Wonder which is cheaper in today's world?

6. Improve Scalability of Resources - Running an internal training organization requires people of various levels of skills and talent. Full-time internal staff is a fixed resource. But training is a variable activity. Using an external supplier allows you to flex the number of resources to deliver the training you need - when you need them. It allows your company to scale up and down based on the demand of training you need. Makes a lot of sense when your company is hiring a lot of people in a short period of time.

5. Leverage Channel Relationships - If your company is a software products company, it may be a good idea to source the marketing and delivery of your training to an established IT training company. The IT training industry is a mature channel market. Companies like Kaplan IT, Global Knowledge, Learning Tree, and New Horizons, have a powerful channel to IT professionals. Not only does sourcing this training through a channel partner make sense, it also may help drive new revenues.

4. Speed to Market - Bringing a new product to market may be dependent on getting resellers trained on how to sell or service your product. Using a training outsourcing company may allow you to get your product into a lot of

customers' hands much faster, without scaling up internal resources.

3. Geographic Reach - When General Motors began manufacturing cars for the Chinese market, they needed to train local employees; repair technicians, sales agents, and many more within the Chinese market. It made a lot more sense for them to outsource training to a company who had resources in China and who understood the Chinese culture. It wouldn't have been feasible for GM to take U.S. employees to China for all this training. And it doesn't mean they have to use a Chinese company to do it. Just a company with local resources.

2. Access to Talent - We've said it many times...no company has all the knowledge they need internally to be successful. Sometimes it's necessary to hire an expert to teach internal employees how to do something that is new to their company. Yes, hiring an outside consultant to deliver a training course is considered outsourcing.

1. Reduce Costs - The number one reason why companies outsource training is to save money. It's the bottom line. It's the common denominator and culminating reason for all the other reasons mentioned above. We should never forget that how you manage training is always about how we manage costs.

About the Author

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Doug Harward is the founder and CEO of Training Industry, Inc. He is internationally recognized as one of the leading strategists for training and outsourcing business models. He is respected as one of the industry's leading authorities on competitive analysis for training services and works with international companies and new business start-ups in building training organizations.



Harward previously served as the Director of Global Learning for Nortel Networks where he led the industry's largest global training outsourcing engagement with PricewaterhouseCoopers. He received the Chairman's Global Award for Community Service for his work in developing integrated learning organization strategies within higher education, public schools and business. He has worked in the training industry for more than 25 years.

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