



How To Choose A Cost Effective Training Provider

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Introduction

Training is no small item in the company budget, nor is it an activity which can be ignored as a consumer of personnel resources. According to the 2008 American Society for Training and Development (ASTD) State of the Industry report, the average worker spends more than 40 hours a year at training. Best in class businesses provide upwards of 44 hours of formal instruction to their staff, at a total worldwide cost of more than £50 billion.

Your company's share of the worldwide bill for training programmes may be just a small sliver of the total, but that doesn't make it an insignificant expenditure. This is especially true in these trying economic times. Though newsweeklies and finance pages like to tout the green shoots of recovery as evidence that all is well again, there is no doubt in the minds of most business owners and managers that the slightest disaster could throw everything into disarray once more.

As a result, you need to proceed carefully with all of your training expenditures, and be sure that you are getting the most you can out of your training investments. However, it can be hard to be certain that you are really choosing the most cost effective training providers when you go to the market. This uncertainty can make you hesitant about your choices, adding delay costs and missed opportunities to the mix of training expenses.

You can avoid these costs and the worry of making a poor training provider choice by teaching yourself (and your firm by extension) how to choose a cost effective training provider. In this guide, you will learn how to:

- Define your training needs and your limitations
- Solicit proposals and do your research
- Evaluate the expected ROI for your training investments
- Negotiate prices and customizations when needed for an effective training investment
- Make your final choice with confidence

There's no need to be left in the dark about what to do or how to do it when it comes to choosing a cost effective training provider. Turn the page to get started on the process of consistently finding the most cost effective training provider for your business.

1

Define Your Training Needs and Limitations

The scenario plays out annually at thousands of firms around the world. “We need training!” howl managers and workers alike. Thus, the firm launches into a training programme with the first available training provider. The immediate hue and cry is fixed, but the budget is left in a shambles. Later, when called to account, it is difficult to explain exactly what was gained for the money spent.

Even worse? Brochures that arrive later advertising the same training programme for less. This sort of embarrassment is only compounded by the ongoing lament throughout the organisation that “I need training for that” or “Why haven’t these workers been trained properly?” once the annual budget has been good and spent.

As the training coordinator, you can avoid both the wailing and the gnashing of budgetary teeth by doing a bit of legwork for the organization when it comes to training. You should ask questions to define your training needs, and you should also be clear about your organisation’s training. In this way, you will be able to establish clear parameters to guide your training decisions, helping you to avoid impulsive spending that causes later regrets.

DEFINE YOUR TRAINING NEEDS

The first step in any training expenditure should be to define your training needs. Without defining your needs at the beginning, you can’t effectively shop for the most cost effective training provider later. In order to properly define your company’s needs, it is imperative to ask the following critical questions:

Who needs training?

Do not let your managers get away with vague answers like “my team”, “some of the sales personnel”, or “the new hires” when hit with this question. In order to spend wisely on training you need firm numbers, and actual names. You need to get answers like “6 of the new hires” or “the 4 regional managers for the Middle East.”

What training is needed for the target group?

Once you have defined the group to be trained, you now should define what

training is needed. This can be quite different from the original request, which will tell you what training is **wanted**.

When you receive a training request, it is important to be able to tie that request back to a concrete business need or a demonstrated skills gap. If 70% of the workers in a group can't complete a core work task without error, training for that core work task meets a demonstrated skill gap and a clear business need.

On the other hand, if a manager has read about a new program teaching phone skills and would like to send staff to the program even though customers report 95% satisfaction with phone interactions, that training is a want, not a need. Being able to distinguish internally between wants and true needs is critical for making effective training spending decisions.

What is the top training priority?

After you have clearly defined what training is needed and by whom, it is important to identify top training priorities. With a limited number of training monies available in any given budget, it is important to allocate your resources in accordance with your priorities.

To identify top training priorities, it is important to work with managers to rank requests both within and across departments. At times, this may require multiple levels of meetings to discuss and rank needs. However, at the end of the evaluation period, you should be able to go to the market with a clearly itemized list of your top training needs. This helps avoid both impulsive training purchases and misspent training funds.

DEFINE YOUR TRAINING LIMITATIONS

Training limitations should also not be left out of the training needs analysis, though they often are. This can lead to training choices that are ultimately ineffective for the business. You may have to spend travel money twice, for example, when the business cycle prevents an employee from spending a full week at a session and it has to be split into multiple events.

Alternatively, internal restrictions on community partnerships or delivery models may narrow your field of choices. There's no sense wasting resources evaluating a training provider you will not be able to ultimately use. Thus, you will want to be aware of all of your training limitations going into the selection process so that you can ensure you are targeting the right set of truly available trainers for your business needs.

Important limitations for you to keep in mind are:

- Travel restrictions: If your company has banned overnight travel, for example, this places limits on training programme choices.
- Locational restrictions: If your firm has its own training facilities where courses are to be held, you will need to be on the look out for travelling trainers.
- Format restrictions: If your firm has designated preferred formats for the distribution of training programmes, such as virtual classroom, workshop, or e-learning, these must be adhered to as well.

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Solicit Proposals And Do Your Research

Once you have a clear read on your training needs, it is time to solicit training proposals and do your field research on training providers. With your list of defined participants, participant needs, required delivery formats, and applicable limitations, you should be able to perform a very targeted search.

To choose a cost effective training provider, it is important not to skimp on the research portion of the process. This is tempting, because being pressed for time is the nature of the game and it is very easy to simply go with the first group recommended or with a provider you have used before and know. However, this does optimize your costs.

Though the proposal solicitation process can be time consuming, it is the easiest way to ensure that you are narrowing down the field to the candidates or consulting groups that are going to be best at meeting your needs.

In some ways, it becomes helpful to think of sourcing training in the same mindset as buying any other consumer service item. Take getting car insurance coverage, for example. You would fulfil many of the same steps – call to see what the current offers were, clearly stating your needs and requirements, and collecting quotes – but with no shame about being explicit about your needs and your desire for a cost effective solution. Why then should you dally and be embarrassed about doing the same for training programmes?

The truth of the matter is that while you may be shy about calling up training firms and requesting package quotes, they are generally quite thrilled to be speaking with you. Business is tight, especially for smaller and specialized training firms. Thus, they are more than happy to spend time helping to show you how their services meet your needs.

Of course, no matter how nice the representatives are to you over the phone, you should under no circumstances book training impulsively. Just as with car insurance, a part of the process is creating choice. You want to choose what is ultimately best for your firm, which may not be your first choice or the group with the nicest reception staff.

Ideally, you should be able to collect three or more quotes/proposals for each training initiative that you have planned. Some of these quotes may be from in-house providers, as in larger firms these divisions can bill separately. However, within your firm's guidelines, you should still collect enough quotes to get a sense of what the market rates are currently.

This is important even for year over year training. Market rates can shift, even for established training programs, as competition moves into the area or operating costs increase. Before booking with anyone, be sure to know exactly what they will do for you in this specific instance, and exactly how much they will charge you for that service this year.

You will also want to do sufficient research into your training provider choices to be able to understand what each one offers, how they are the same, and where they differ. Business management courses taught by retired CEOs naturally bring something different to the table than similar courses taught by recent graduates.

Even if you just collect a few bullet points of information, have enough research on hand to be able to quickly describe the features that both make each provider unique and support that provider's pricing structure. Also make a point of collecting from each potential training provider statistics relevant to their results – successful graduates, costs saved, or increased productivity.

Once you have collected a sufficient number of proposals for your training needs, it is time to move to the next stage of the decision making process, which is evaluating your expected return on investment (ROI) for your training expenditures.

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Evaluate Expected ROI For Your Training Investment

Some training programs seem extremely expensive at first glance, and you may be tempted to throw those proposals aside as you do your research from the previous chapter. However, when you look at the expected return on your training investment, these programs become surprisingly reasonable. After all, how much would you pay for an additional £100,000 of profit or revenue? Is £1,000 too much, or even £10,000?

This question becomes an important one as you seek to choose a cost effective training provider. In addition to looking at the up-front costs of any training program you are considering, you need to also be looking at the value you receive from that investment.

Be as tangible as possible, and work both now and in your research phase to get firm numbers out of your prospective training providers. Don't settle for fluffy and vague statements such as "Clients experience improved employee morale." You want statements that you can use to generate numbers for your firm to let you know if this training investment is truly cost effective.

Staying with the morale example, if the training provider can state, "Clients experienced improved employee morale such that turnover dropped 6% year over year," then you have a figure you can turn into hard numbers for your firm to use as a decision point. If turnover costs are £50,000 a year at your company, the training is £250, and costs can be expected to drop £3,000 over the next year, you are receiving a nice return on your investment.

Cost metrics and ROI can also be expanded to include the cost of your employee's time at the sessions or travel expenses related to attending the course. If the training is expected to generate an additional £5,000 in sales annually, but will cost £10,000 in tuition, travel, and time, can you justify waiting 2 years to recoup your training investment? What is your minimum break-even point for training expenditures, or what ROI must you meet to feel that a training session is truly cost effective?

Using metrics like these, you can make much more informed choices about the true cost effectiveness of any given training provider or training course. Rather than being swept up in a glossy sales brochure or talked out of a project by a grim finance partner, you can focus on hard facts. If you know what you can reasonably expect to earn from each pound, dollar, or euro

invested in a training program, you can choose the provider who is the most cost effective for your unique business situation over the long run.

Looking at your list of proposals for training, you can leverage your ROI metrics to rank each provider. This can considerably narrow your field of choices. It will also provide you with data points that you can use when talking to your internal partners or when you find that you want to go back out to the market to negotiate rates and customize your training if necessary.

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Negotiate And Customize Where Necessary

With your research and ROI analysis complete, it is time to revisit your pool of potential providers. As you look at your list, you will see some who are clear winners. You may, however, see a number of others that could be winners for your firm if you were able to make a few small changes to the price, the programme, the delivery method, or some other feature of the training. Rather than simply eliminating these “almost perfect” candidates, it is time to reach out and see how you can create a winning and cost effective solution for your business.

NEGOTIATE

You’ve already identified this training provider as one that has potential for meeting your firm’s needs. This means that when you approach them now, you are ready to do business if they are willing to work with you on a few points. Rather than dreading the upcoming negotiation session or turning it into a battle of epic proportions, think of it as a path to creating a win-win situation.

Here are few additional tips for negotiating with training providers:

- Have your needs clearly defined. Just as with your initial scoping for the training project, knowing exactly what you need and for whom will make it easier to work with the training firm on a deal.
- Know where your limits of compromise are, and put them on paper in advance. This will help you define the parameters from your end, and

keep you focused during the negotiation process.

- Accept that there may not be an agreement. While both parties may want to come to an agreement, there may not be an ideal middle ground, or there simply may not be the capability in place for the program modifications you'd like. This is why you solicited multiple proposals in the beginning.
- Keep things amicable. There is no need for bad blood – just because things aren't a match now doesn't mean a later solution might not be found. Be professional and courteous at all times – though a car insurance quoting process may be an appropriate analogy for proposal hunting, do not turn later negotiations into a used car lot nightmare!

CUSTOMIZE

In addition to negotiating price points or delivery models, you may also wish to come to the table with customization needs. Perhaps you need the trainer to come to your site, instead of having 15 managers travel to their location. Or perhaps your regional footprint necessitates an additional chapter of compliance education in the course. Whatever your need, you won't know if you can have it unless you ask.

The key to getting customization on training programs are relatively simple, even if the customizations themselves may be complex. As with other elements of the training process:

- Know your need. Be able to clearly express the scope and scale of the customization you desire.
- Be aware of costs. Some customizations may be freely available (Oh, we can just add that in from another course, it's already developed) while others may carry significant costs (We'd be happy to fly six trainers first class to Shanghai for you). As you make requests, be sure to get pricing numbers.
- Accept that some customizations may not be possible. Scheduling limitations, travel restrictions, limits on expertise, and other barriers may simply make it too difficult for the training group to provide the customization(s) you desire. Again, this is why you should always have multiple providers in mind!

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Make Your Final Choice With Confidence

Once you have completed all necessary negotiation and customization discussions, it is time to make your final choice. This is something that you should be able to do with confidence that you are choosing the training provider who will give you the best program for the best price.

Naturally, when you announce that you have chosen the most cost effective training provider, it may not be universally accepted. Some will wonder why you didn't go with XYZ provider that is well-known in the industry, or why you simply didn't hire the same group that delivered last year's training programmes. However, by having followed the guidelines presented herein, you should have perfect evidence to justify your choice to all parties.

- You've done a complete needs analysis. There is no question of what gap need to be filled or which group needed the session. The training programme you have selected meets that need.
- You've solicited multiple bids/proposals. There is no question of playing favourites or taking the easy path out. Instead, you have surveyed the market for providers openly.
- You've evaluated the return on your training investment. You have hard numbers to match up against training costs. If you have chosen a training programme with a high price tag, you have performance data to illustrate exactly why that programme provides greater value than a lower priced alternative.
- You've negotiated and customized the programme to meet your firm's requirements. Perhaps you've worked out a volume discount, or arranged for a special module in the course. Your work ensures that this training provider exactly meets the needs and budget of your organisation.

With all of these steps completed, you have the metrics and the data to ensure that you will be satisfied with the training you've selected. There should not be doubts or undue criticism. By being diligent with your process, you can ensure that you will consistently deliver cost effective training to your firm.