

Sample Document / Feasibility Report

Feasibility of Maintaining In-house Training Versus Outsourcing

Introduction and Background

In the last year, Russell Medical Training (RMT) has grown from 52 to 126 employees. While this growth indicates the rapid expansion of RMT's market share, it also poses new challenges for us to face. An area of particular area to both management and human resources (HR) is the ability to continue to provide ongoing training for our employees. Currently, we have one trainer on staff, but the demand for training now exceeds what one trainer can provide. Additionally, RMT expects to increase the number of employees over the next six months, contingent upon pending contracts with new clients.

Bill Russell, CEO, asked HR to determine the feasibility of increasing the number of trainers on staff versus contracting with an outside firm to develop and provide training for us. The purpose of this report is to determine which of the two options is the best for RMT.

Scope

In preliminary research, we profiled eight firms specializing in corporate training. We eliminated all but three for lack of expertise in medical training and accepted bids from these remaining firms (See Appendix A for comparative data). Because Bill Russell requested that we limit our comparison to the feasibility of in-house versus outsourced training, we chose the most competitive firm of the three, Tech Knowledge Consulting, to compare with the cost of maintaining our own training staff.

Expanding Our Own Training Staff

This alternative requires hiring at least one additional trainer for the current number of employees and one trainer for every 50-60 additional employees. Based on conservative estimates, we should minimally consider hiring at least two additional trainers at the following costs:

2 additional trainers @ \$45,000 annual salary	\$90,000
Current training director's annual salary	\$50,000
Benefits/Insurance costs (for 3 trainers)	\$60,000
Additional training software (one time)	\$150,000
Support for conferences/certifications (for 3 trainers)	\$3,000
Total Cost for Three Trainers	\$293,000

A major benefit of having our own trainers on staff is their availability during work hours 40 hours per week. A consideration likely to impact this alternative is the need to hire additional trainers as the number of employees increases. While the above costs are based

on conservative projections, RMT could potentially require a training staff of six within two years, at a cost of approximately \$68,000 per hire annually, not including the cost of additional software and training materials.

Contracting With Tech Knowledge Consulting

This firm is the best match of those profiled, in terms of matching RMT's needs and offering the most competitive bid (For a detailed bid of services provided, see Appendix B):

Training per 200 employees annually **\$350,000**

Tech Knowledge contracts its services based on a minimum of 200 employees. They initially expressed concern that they typically work with larger companies and didn't find it feasible to contract with companies with less than 200 employees. While their bid is high given our current number of employees, the need to hire a fourth trainer (raising the total cost for in-house training staff to \$361,000) would make contracting with Tech Knowledge the more economical choice.

A concern with using an outside consultant that we considered is the limited availability of staff. Tech Knowledge staff would work onsite approximately 20 hours per week, possibly more during high-demand periods (i.e., training to implement new M.I.S. software, etc.). Currently, RMT's in-house trainer devotes approximately the same amount of time per week to hands-on instruction, with the balance of work hours dedicated to program development, administrative tasks, etc.

Conclusion

Based on our current number of employees, a comparison of costs for both alternatives indicates outsourcing training to Tech Knowledge costs more than maintaining in-house staff; however, costs to hire one additional trainer, if necessary, would put the cost of in-house training at \$11,000 more than Tech Knowledge. With the exception of having training staff available onsite 40 hours per week, Tech Knowledge can provide comparable services and amount of instruction time as in-house staff provides.

Recommendation

RMT should contract with Tech Knowledge to provide and develop training as detailed in their bid. However, if RMT's pending contracts fail, eliminating the need to hire additional employees within the next year, RMT might consider hiring one additional in-house trainer in the interim.

Annotation: This is a feasibility report comparing the cost of keeping training in-house or contracting with an outside consultant. The introduction provides the context of the report: its purpose, how it came to be written, and who requested it. It delineates its scope because the purpose was to compare the costs for in-house versus consultant (outside)

staff, not a comparison of different outside firms. Interested readers are referred to appendices (not included here) for criteria used to select the consulting firm that was selected and the bid it submitted detailing services it will provide. The conclusion summarizes the major details of each alternative, while the recommendation presents a course of action for the company to take. See also in this chapter the transmittal that accompanies this report, written in memo form since the report was written in-house.