

Selecting Learning and Development Consultants: Avoiding the Costs of a Bad Hire





Key Summary:

- There is a growing demand for Learning and Development (L&D) consultants, but a lack of critical evaluation of the quality of consultants.
- This leads to high costs for companies because the effects of “bad” consulting is not being accurately captured. Invisible expenses, such as wasted time and resources, can damage company reputations as well as the bottom line.
- Companies wishing to avoid this cost should invest in high-quality consultants who offer evidence of three key skills: communication, experience, and expertise.

A Growing Demand for L&D Consultants

Learning and Development has become a top priority for many organizations who recognize the long-term strategic impact of effective training. In fact, 68% of businesses say they are currently increasing investment in L&D initiatives ¹. In 2013, training budgets increased by 15% across the nation, and most companies report spending an average of \$1,169 per learner on L&D initiatives. Technology companies seeking specialized services make higher investments—nearly \$1,900 per learner ².

Many Chief Learning Officers (CLOs) find the most strategic and cost-efficient method of developing new initiatives is to hire external consultants whose expertise lies in developing talent, training leadership, and managing change. According to the Corporate Learning Factbook 2014, “The problem many organizations face today is not a shortage of people—it is a shortage of key skills...the pace of technology change accelerates each year, creating even more demand for highly educated people. “Thus, the growing trend toward outsourcing: today 30% of content development, 44% of delivery, and 30% of learning management system (LMS) operations are subcontracted to external professionals ³.

While some organizations choose to utilize internal resources for L&D initiatives, consultants with



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expertise and experience have a higher rate of success with a lower investment.

While it's common for companies who invest in L&D initiatives to see an increase in their stock value the following year ⁴, those who used top consultants saw returns on investment ranging from 150 to 2,000 percent ⁵. Good consultants supplement internal resources, rather than duplicating or overriding them.

¹ Palmer, S. (2010). Making the business case for learning and development: 5 steps for success. UNC Kenan-Flagler Business School. Retrieved from <http://execdev.kenan-flagler.unc.edu/blog/making-the-case-for-learning-and-development-5-steps-for-success>.

² O'Leonard, K. (2014). The Corporate Learning Factbook 2014: Benchmarks, Trends, and Analysis of the U.S. Training Market.

³ Bersin, J. (2007 July 22). Learning outsourcing marches ahead: New economics. Retrieved April 25, 2015 from <http://joshbersin.com/2007/07/learning-outsourcing-marches-ahead-new-economics/>.

⁴ McCann, D. (2011 June 1). Measured response. CFO.com. Retrieved from <http://www.cfo.com/printable/article.cfm/14577155>.

⁵ Phillips, J.J. (1996). ROI: The search for best practices. Training & Development; 50(2).



Evaluating Consultants: Companies' Blind Spot

How do you know if you're going to see a return on the investment you make in a consultant? It's not a simple matter of selecting the first consultant approached, or the one who offers the lowest bid. Unfortunately, many companies have a blind spot when it comes to the evaluation process.

Only 8% of organizations take the time to evaluate the effectiveness of L&D initiatives, including onboarding consultants. Why? Partly because some soft skills gained through L&D programs are hard to measure; partly because there is a longstanding myth that "smiley sheets," or simple feedback forms, are sufficient methods of evaluation ⁶.

A paper by Fiona Czerniawska (2007) ⁷ reports that CLOs who select the consultants, or share responsibility for the hiring decision, are four times as likely to feel satisfied with the job than other staff—in other words, managerial perspective might be distorted by the desire to validate their decision to hire a consultant in the first place. However, they



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are not always seeing the bottom line—which can add up to high costs in the long run.

The True Cost of a Bad Hire

When the wrong consultant is hired, the effects are more far-reaching than many companies estimate. A bad hire can:

- squander money that could have been used for other projects
- waste staff and management time
- result in harmful advice, which can damage company reputation and client relationships
- demoralize staff, which leads to employee disengagement and its hidden costs. According to Gallup (2013) ⁸,

“Actively disengaged employees cost the U.S. between \$450 billion to \$550 billion each year in lost productivity. They are more likely to steal from their companies, negatively influence their coworkers, miss workdays, and drive customers away.”

- cost managers and hiring team their jobs

How much can this add up to? A CareerBuilder survey (2013) ⁹ found that 69% of companies reported financial costs due to the wrong hire in the past year. While 41% said that it cost them \$25k, over 24% said each bad hire cost the company \$50k.

Experienced professionals know the costs of onboarding the wrong person. Zappos CEO Tony Hsieh offers all employees \$2,000 to quit after the first four weeks of training—according to him, dropping cash to weed out less dedicated employees actually protects his bottom line.

He estimates spending as much as \$100 million on “bad” employees before the “incentive to quit” program was launched ¹⁰.

⁶ Bennington, K. (2012). Beyond Smiley Sheets: Measuring the ROI of Learning and Development. White paper, UNC Kenan-Flagler Business School.

⁷ Czerniawska, F. (2007). Ensuring sustainable value from consultants. SYMPHONY A Emerging Issues in Management; 1, 40-46.

⁸ Gallup, Inc. (2013). Report: State of the American Workplace: Employee Engagement Insights for U.S. Business Leaders.

⁹ Grasz, J. (2012 Dec 13). Nearly seven in ten businesses affected by a bad hire in the past year, according to CareerBuilder survey. CareerBuilder. Retrieved April 25, 2015 from http://www.careerbuilder.com/share/aboutus/presseleasesdetail.aspx?sd=12/13/2012&sc_cmp1=cb_pr730_&siteid=cbpr&id=pr730&ed=12/31/2012.



Requirements for Consulting Excellence

Consultant Jack J. Phillips (2011)¹¹ found three reasons that consulting relationships go wrong:

- **Ineffective communication:** The client has the consultant working on the wrong problem, or the problem is not clearly defined before the consultant is onboarded.
- **Inexperience:** The consultant lacks the expertise necessary for the problem.
- **Inappropriate hire:** The consultant's expertise is the wrong type for the problem to be addressed.

In addition, consultants and internal resources often act as protagonist and antagonist, respectively, creating tension that impacts working relationships and productivity¹².

Reversing Phillips' three reasons consulting relationships go wrong reveals three strategies for hiring top consultants, and avoiding the cost of a bad hire.

- **Communicate effectively:** Work closely to develop the client/consultant relationship and define the problem being explored upfront.
- **Trust proven experience:** Seek out a consulting company whose history and track record speaks for itself. A company with a large and reputable network of specialized consultants; a strong history of published client results; and scalable, fast deployment for projects that need to happen quickly. "Credibility, a clear sense of purpose, communication, and commitment are all top-down approaches to ensuring consultants add value"⁷.
- **Hire for expertise:** Select a consultant whose particular expertise fits the problem. One study found that 74% of companies who had a positive experience with a consultant reported that their consultant had a strong expertise in the appropriate area⁷.

As more companies invest in L&D consultants and



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pursue rigorous evaluation of the ROI on these projects, we can expect to see the standards for consulting excellency favor credibility, experience, expertise, and a long history of proven success. Unraveling the financial benefit of outsourcing quality L&D training, as well as understanding more clearly the disastrous result of hiring the wrong consultant, will begin to transform the quality of the instruction itself—leading to more powerful, adaptive, and resilient programs.

¹⁰ Rosenbaum, S. (2010 June 4). The happiness culture: Zappos isn't a company--it's a mission. Fast Company. Retrieved April 25, 2015 from <http://www.fastcompany.com/1657030/happiness-culture-zappos-isnt-company-its-mission>.

¹¹ Phillips, J.J., Phillips, P. (2011). The Consultant's Scorecard: Tracking ROI and Bottom-line Impact of Consulting Projects. McGraw-Hill Professional.

¹² Gable, G.G. (1996). A multidimensional model of client success when engaging external consultants. Management Science; 42(8), 1175-1198.

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