



The Exact Expertise to
Ignite and Sustain Performance™

LSA Global | White Paper



The Exact Expertise to
Ignite and Sustain Performance™

3 Steps to Building a Smarter Training Budget - One that Gets Approved by Executives

By Tris Brown, President & CEO

Organizations continue to spend billions of dollars each year on training and development for their employees - programs that typically fail to produce tangible business results. No wonder the majority of executives are looking at ways to aggressively cut training costs.

Under the auspices of helping organizations to effectively benchmark, align, and manage their training functions, much has been written over the years about training cost metrics.

With increased financial pressures, figures such as those outlined below have received a lot of scrutiny and attention lately:

- Training expense as a % of revenue
- Training investment per employee
- % administration training costs
- % delivery training costs
- % in-house vs. outsourced learning

While training cost information is certainly part of the equation, looking at costs alone (or even first) misses the point.

Building a smarter training budget is about ensuring that training investments get meaningful results. Those results must be relevant to the business and are rarely achieved by doing training “as cheaply as possible.”

It is true that, once you have aligned your training investment priorities and approaches with the business, benchmarking training costs can be a useful exercise to ensure that your expenditures are in line. But most savvy executives agree that training effectiveness comes before training efficiency. It is smarter to simply cut programs that have low value vis-à-vis the results—the generic, open-enrollment-based, underutilized programs—than to spend time and effort trying to make them more efficient.

Unfortunately, we still find that many training budgets and training initiatives start and end with costs and efficiency and that they miss the most important step altogether—the one that executives find most persuasive, business alignment.



Call Us Toll-Free 800.889.6452

Copyright ©2009 LSA Global. All Rights Reserved. All copyrights, trademarks, service marks and product names are copyrights, trademarks, service marks, or registered trademarks of LSA Global or its Partners.



The Exact Expertise to
Ignite and Sustain Performance™

Step #1: Business Alignment - Identify the Business Priorities

The majority of executives buy, invest, and budget based on their view of the value provided. The formula is really quite simple.

$$\text{Value} = \text{Benefit} - \text{Investment}$$

If the comparative benefit is greater than the investment, executives will typically fund and support a project. In order to create a smarter training budget that will be approved and supported by executives in your company, the first step is to identify the key business priorities for the next 12 – 24 months so that you can align your plans and budget with those priorities. To understand your company's priorities, you should make sure that you can clearly answer the following four questions—only then can you begin to create a “smarter” learning strategy and training budget:



1. What are the company's top 3-5 strategic priorities?
2. What are the company's greatest challenges/opportunities?
3. What are the key actions that are being taken in the next 12-24 months to achieve those strategies?
4. What is the current financial situation of our company, our competitors, and our industry?

Once you have a solid understanding of the business context, it is time to build a learning strategy that is consistent with your company's direction and creates compelling value. To get an executive's attention and buy-in for your training budget, the compelling value of your learning strategy and training budget should always be expressed in language the executive uses and cares about:

- Increasing revenue and margins
- Reducing costs
- Improving productivity and capital effectiveness
- Delivering on commitments to shareholders of stakeholders

Note: Over the years, we have consulted with many training and human resource organizations in which their company's overall strategy was unclear, unavailable, or not followed. Do not make the mistake of letting a lack of corporate strategy lull you into a sense of complacency when it comes to business alignment. At some point, someone should and will care. Make some key assumptions based upon the common business pressures that your company faces. Then, align your plan with these assumptions so you create your own version of strategic alignment. If you are part of a public company, most of the key information can be found in your company's Income Statement, Balance Sheet, Cash Flow Statement, Letter from the CEO, and the Statement of Shareholder's Equity.



Call Us Toll-Free 800.889.6452

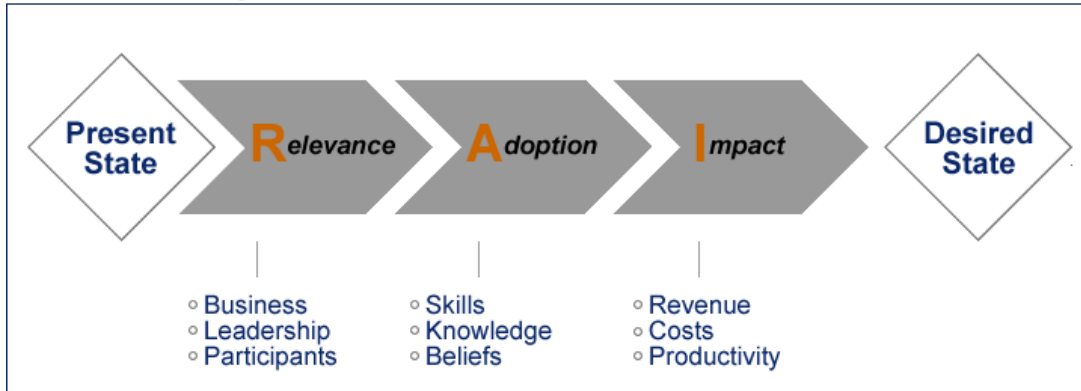
Copyright ©2009 LSA Global. All Rights Reserved. All copyrights, trademarks, service marks and product names are copyrights, trademarks, service marks, or registered trademarks of LSA Global or its Partners.



The Exact Expertise to Ignite and Sustain Performance™

Step #2: Use the Training RAI™ Model to Ensure Alignment of Each Training Initiative and Learning Solution

Training RAI: Relevance. Adoption. Impact.™



Now that you have created your learning strategy based upon your company’s strategic direction or key pressures, you have the core information required to ensure that your training plans and budget are aligned with the business. The first step in the Training RAI™ Model is to determine **Relevance** for each proposed training initiative and learning solution within your learning plan.

Relevance

For business alignment to occur, each learning solution should be highly relevant to four key stakeholders (1) The Business, (2) Leadership (including your boss and his peers), (3) Your Target Audience, and (4) Your Target Audience’s Supervisors.

Without relevance at all 4 levels, your chance of success is low. In fact, you would probably be better off buying books on the subject for each participant – you’ll get similar low-value results for a lot less money. To avoid failure, use the matrix below for an easy way to ensure relevance and alignment with your key stakeholders.

1. First, for each potential learning initiative or solution, plot the importance and urgency for each of the 4 stakeholders listed above based upon what you know now.
2. Second, see what the chart tells you.
3. Lastly, review and validate your chart with the key stakeholders and adjust, plan, and budget accordingly.

LSA Training RAI™ Matrix

	III. Validate Urgency	I. Budget for Adoption & Impact
Urgency ↑	IV. Do not Budget	II. Budget for Adoption & Impact
	Importance →	



Call Us Toll-Free 800.889.6452

Copyright ©2009 LSA Global. All Rights Reserved. All copyrights, trademarks, service marks and product names are copyrights, trademarks, service marks, or registered trademarks of LSA Global or its Partners.



The Exact Expertise to Ignite and Sustain Performance™

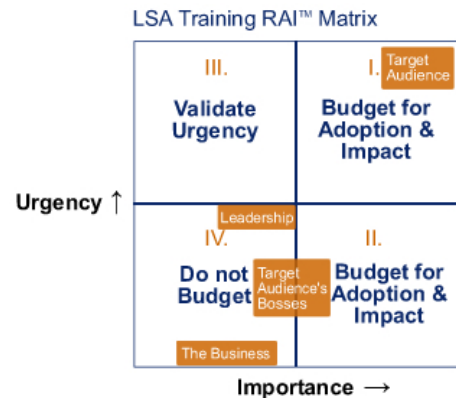
Here's a recent example of how we used the **LSA Training RAI™ Matrix** at a Fortune 100 Technology Company. The company wanted to make a significant investment in designing and implementing a "Transition to Management" Workshop for all new managers in the upcoming fiscal year.

When asked how important this was to the Training Director, she said that it was her top priority. She wanted to invest approximately \$500,000 over the next 6-9 months. If we were in the business of just making money, this would have been a great opportunity. But our focus is first and foremost on helping clients. We wanted to make sure that her plan made sense for her business.

We ran her initiative through the **LSA Training RAI™ Matrix** and it was clear (in about 15 minutes) that she needed to reevaluate her learning priorities and budget with her boss.

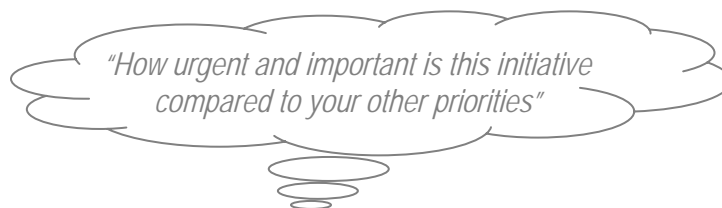
Analysis & Outcomes

- While the initiative was very important to her and a group of new managers (the Target Audience), it became graphically clear that it was relatively unimportant to everyone else (see red boxes indicating stakeholder urgency and importance).
- This stakeholder distribution is a perfect example of why training budgets often get cut "once-important" workshops get cancelled, and why it is difficult to get people's supervisors to support training that they previously "really wanted."
- Based upon our discussion, the Training Director the chart with stakeholders and decided to take a different, less expensive, and ultimately more effective approach.



Fifteen minutes and a simple model saved her and her organization over hundreds of thousands of dollars, months of time and frustration, and possibly her reputation with key stakeholders.

While many experts continue to pontificate about focusing on training efficiency and delivery mediums to save money, we believe that one of the most effective and important ways to gain executive credibility while managing overall training costs is to cancel, postpone, or shrink all irrelevant learning expenditures. Before you worry about training inefficiencies, assessments, designs, follow-through, coaching, delivery mediums, administration, participant materials, support tools, and measurement, ask yourself and your key stakeholders:



Call Us Toll-Free 800.889.6452

Copyright ©2009 LSA Global. All Rights Reserved. All copyrights, trademarks, service marks and product names are copyrights, trademarks, service marks, or registered trademarks of LSA Global or its Partners.



The Exact Expertise to Ignite and Sustain Performance™

Now that you have identified the most relevant training initiatives and thereby created business alignment, it is time to get a sense of how much you should budget and invest in each initiative.

Step #3: Build a Smarter Budget

This step in the process assumes that you already know how to follow the basic steps required to research and build a budget including:

- Setting targets
- Aligning incentives
- Developing action plans
- Allocating resources
- Coordinating plans across key functions and stakeholders
- Monitoring, adjusting, and controlling finances



Once you have built the first draft of your training budget based upon what is most important and most urgent to the business, it is time to do some quick benchmarking and analysis to see where you stand.

1. ROI: Is the Value There?

Remember the value equation from the first step? **[Value = Benefit – Investment]**

Now is the time to put it to the test. If you have done your homework, you should be able to assign specific dollars to both the anticipated benefits and costs to come up with a value that both you and your key stakeholders agree upon. The value must be greater than the associated risks and greater than the value of comparable projects in order for it to still make sense.

2. Transfer of Training: Have You Accounted for Adoption and Impact?

Now that you are focusing only on initiatives with quantifiable value to your key stakeholders, it is time to allocate resources in your budget toward the second and third phases of the **Training RAI™ Model: Adoption and Impact.**

In order to ensure success, it is imperative that you set aside ample resources to help ensure on-the-job adoption of the key skills and knowledge that your initiative is designed to address. Depending upon the specific solution, this may include budgeting for items such as skill gap assessments, individual development plans, leadership overviews, action learning assignments, manager coaching, mastery sessions, tools and job aids, process improvements, performance metric enhancements, and measurement. While costs for these areas can vary widely, a good rule of thumb is that, done right, they should cost 3-4 times the cost of your foundational training program.

3. Benchmark: Are We Getting a Good Deal?

While you need to make sure that you are comparing apples to apples, this is where benchmarking can come in handy by providing guideposts and potentially pinpointing problems that you may not have considered.



Call Us Toll-Free 800.889.6452

Copyright ©2009 LSA Global. All Rights Reserved. All copyrights, trademarks, service marks and product names are copyrights, trademarks, service marks, or registered trademarks of LSA Global or its Partners.



The Exact Expertise to Ignite and Sustain Performance™

Be careful that you do not get carried away however. In order for benchmarking to be meaningful, the metrics should link directly to the objectives of the project and serve as data points in your decision making process. Remember, every situation is unique. With that said, here are a few tried and true training metrics that you should consider to see how your budget assumptions compare:

- Average cost per training hour
- Average annual training investment per employee
- Training investment as a % of payroll and a % of revenue
- Average amount spent annually on learning technology
- Total training investment
- % training administration and % training delivery costs
- % in-house vs. outsourced learning
- % live vs. online learning
- # internal training staffers per learner
- Internal staff to training spend ratio
- Average # of formal training hours per learner

4. Approval: Can You Articulate Your Budget in a Way that Makes Sense to an Executive?

Now that you have confirmed the relative value of your initiative, included all of the associated costs to ensure adoption and impact, and benchmarked your budget to others, it is time to articulate your plan and budget in a way that makes sense to an executive.

In addition to bringing to bear the political, communication, and change management skills typically required to influence both up and down, now is the time to:

- **Link** your plan and budget to what an executive cares most about by constructing a concise and compelling value statement. Your value statement must simply and logically link your plan and budget directly to your executive's key business issues, strategies, and goals in both strategic and financial terms. This is about connecting the dots between what your stakeholders need and what you are recommending - keep it short and simple.
- **Articulate** your value statement, high-level plan, and budget in 15 minutes with no more than 7 slides. The key is to stay focused on the executive, your stakeholders, and the business. Use the Training RAI™ Model to help keep your focus.

(1) Present State: What is happening now? What are the past performance trends? What are the negative consequences of not implementing your solution?

(2) Relevance: What key priorities are your plan and budget addressing that the executive cares most about? How do you know that closing skill and knowledge gaps will address those issues? What is the financial impact?

(3) Adoption & Impact: What have you put in place to ensure that the company gets the desired results? How can you demonstrate that it will work?

(4) Desired State: What are the financial benefits to your plan and budget? How does it impact revenues, expenses, profitability and cash flow?





The Exact Expertise to Ignite and Sustain Performance™

In Conclusion

Smarter training budgets are about relevance. If you want your training plans to make a difference and if you want your training budgets to get approved by an executive, you should make sure that you can clearly:

1. **Identify** the priorities of an executive and your key stakeholders
2. **Link** your plan and budget to their most pressing concerns
3. **Articulate** your solution in a way that resonates with what is most important to an executive, their boss, and the company

Training plans and budgets done any other way have a high propensity to fail, get cancelled, and perpetuate the negative perception that many executives have about training and HR in general.

About LSA Global

Since 1995, LSA has helped organizations create and maintain competitive advantages through people. Over 85% of our business comes from repeat clients and our customer satisfaction rating is 97.5%. Our clients tell us that we are different. Our clients tell us that we save them both time and money. Our clients tell us that they appreciate access to experts across many areas

Our Leadership and Management clients report that we decrease their costs by up to 50%, while helping increase speed-to-productivity by 60% and decrease unwanted attrition by up to 40%.

Our Sales clients confirm that they have grown sales by 40%, increased units sold by 42%, increased average pricing by 12%, and closed over 50% of their pipeline.

Our Project Management clients inform us that, by regularly completing projects that meet or exceed expectations, they have become an anomaly in the world where most projects disappoint or fail.

Our clients succeed in the marketplace through increased revenue, decreased costs, and higher productivity. They maintain that our rigorous assessment, implementation, and measurement capabilities bring them tangible results. As an organization, we are fiercely devoted to supporting their success.



Call Us Toll-Free 800.889.6452

Copyright ©2009 LSA Global. All Rights Reserved. All copyrights, trademarks, service marks and product names are copyrights, trademarks, service marks, or registered trademarks of LSA Global or its Partners.