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Financial Impact of ISD Decisions

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When selecting the right blend of delivery options most Instructional System Designers (ISD) and analysts tend to focus on their area of expertise, namely the effectiveness of alternate delivery methods in meeting learning, audience or corporate needs. In other words, identify the most effective method to transfer the desired knowledge, skills and attitudes to the target audience given the current time, resource and financial limitations.

Once options that do not meet critical requirements are weeded out, you will most likely be left with a number of plausible delivery options that can meet the training needs to a varying degree. Although selecting the right blend among plausible alternatives can have significant impact on the costs of the training program, participants productivity as well as organizational goals – financial considerations are rarely factored in the decision making process.

Let us consider the simple example of obtaining a driver's permit. In general, the process unfolds as follows:

- (a) Learn the rules of the road – which can be acquired via a book, a video, an instructor (locally or at a distance), or computer/web based training course if you have access to a computer and the Internet.
- (b) Demonstrate your knowledge through a multiple-choice exam – which can be delivered on paper, computer or the web.
- (c) Acquire the psychomotor skills needed to drive a car – which can be obtained by driving a car under the careful watch of an instructor or perhaps a simulator, where available.
- (d) Demonstrate your skills by taking a driving test with an examiner.

If the decision resides with the individual, the approach used to acquire the knowledge and skills needed to obtain a driver's license will be based on personal preferences, motivation, as well as time and financial limitations – which of course, are equally effective as long as they pass the driving test.

If on the other hand, an organization requires several employees to obtain a driver's permit, the process of selecting the right blend of delivery options is somewhat similar, with the following exceptions:

- The characteristics of the group versus personal preferences, along with the content and the environment should dictate plausible delivery options – an effective strategy validated by a number of studies that showed no significant difference in the performance of individuals that used alternate delivery methods to acquire knowledge and skill.

- The costs and benefits of plausible delivery options to the organization should also be analyzed to zero in on the most favorable approach, as follows:

(a) Cost Avoidance. The costs of plausible delivery options over the life of the training program should be computed and compared. The costs may include one or more of the following items:

- Development Costs
- Hardware/Equipment Costs
- Software Costs
- Instructor Costs
- Travel & Per Diem Costs
- Facilities Costs
- Transmission Costs
- Administrative Costs
- Management Costs
- Support Costs
- Maintenance Costs
- Miscellaneous Costs

Example: If a 4-day instructor-led equipment maintenance course for 1,000 individuals is converted to two 2 days of web-based training for the theory and 2 days of instructor-led for the hands on exercises, the per diem (hotel, meals and incidental) savings alone could exceed \$400,000:

Average per Diem Cost: \$200 = \$125 hotel + \$60 meals + \$15 incidentals

Potential per Diem Savings: \$400,000 = \$200 per day x 2 days x 1,000 individuals

(b) Productivity Gains. Since some delivery options can minimize time away from the job – by eliminating travel as well as compressing time needed to acquire the desired knowledge and skills – productivity gains can be computed as follows:

(Average Hourly Salary of Trainees [Employees] + Lost Productivity) * Reduction in Time Away from the Job *

Number of Individuals Affected

Example: If time needed to acquire knowledge and skills for the equipment maintenance course can be compressed from 4 to 3 days without compromising its outcome, gained productivity for 1,000 individuals with average annual salary of \$50,000 and 30% fringe benefit translates into \$283,000:

Average Daily Cost: \$283 = \$50,000 x 30% / 230 working days per year

Productivity Gain : \$283,000 = \$283 x 1 day x 1,000 individuals

(c) Organizational Benefits. Since one of the primary objectives of a training program is to develop skills, competencies and/or attitudes to attain business goals – i.e., resolve problems, create new opportunities increase competitive advantage, etc. – achieving goals quicker may have a significant impact on the organization's bottom line. The impact is computed by considering reduction in time to competency, as follows:

Anticipated Benefits per Day * Reduction in Time to Competency

Example: If the primary reason for the equipment maintenance course is to minimize equipment downtime by 10 hours per month, and the average cost for each hour of downtime is \$10,000, then the potential benefits for each piece of equipment is \$100,000 per month. If on average one approach can develop the knowledge and skills for technicians 30 days faster and in turn minimize the downtime of 50 pieces of

equipment, then the benefits of attaining our goals faster can be computed as follows:
 $\$100,00 \times 50 = \$5,000,000$

Although selecting the right blend of delivery options can significantly impact training costs, employees' productivity and organizational goals, in most instances, ISD professionals do not have access to financial data, tools or support needed to assess the financial implication of their recommendation. As a result, decisions are being based on either soft instructional design factors that can significantly increase costs, while minimizing productivity and performance, or worse purely financial analysis that does not ensure the transfer of knowledge and skills needed to attain business goals.

To select the most effective and economical blend of delivery options, the analysis should be proceed as follows:

1st Step: Instructional Design Analysis. Identify plausible delivery options that meet learners, learning and organizational needs.



2nd Step: Financial Analysis. Estimate the financial impact of plausible delivery options on training program's costs, employees' productivity and organizational goals.

3rd Step: Make Decision. Select the most favorable blend of delivery option by considering the effectiveness, cost and impact on various alternatives.

Of course this implies more effort and coordination between ISD and financial analysts, but you may be pleasantly surprised to discover that a few additional hours of due diligence can translate into hundreds of thousands of dollars in cost avoidance and increased productivity.

Contributions

Contributions, on what worked and didn't - including practical tips, advice, white papers, case studies, articles, reviews, online seminars, software tools and research reports - are welcomed. Please send to bahlis@bnhexpertsoft.com. Full credit will be given to author.

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