

# How to Effectively Manage and Optimize Training Budgets and Resources



by

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*If you cannot measure it,  
you cannot manage it.  
Peter Drucker*

## Summary

Do you know which training programs are having the greatest impact, and why? Do you know the true cost of training a sales representative, customer service staff, call center employee, or developing supervisory and management skills? Do you wonder about the implications and consequences of your eLearning decisions? Can you confidently demonstrate the value of your training programs? Can you forecast your training budget over the next 3 or 5 years? Do you know how you measure up against your competition? In other words, are you making the most of your training budget and resources?

## ADVISOR Enterprise – A Business Planning Tool

ADVISOR Enterprise is a business-planning tool to help organizations manage and optimize training budgets and resources. ADVISOR Enterprise provides clear, accurate and comprehensive analysis of the cost of training/learning activities. With data from all courses residing in a central database, managers at various levels can determine how much money and resources are required to run varied training programs, gain required skills/competencies, find out where money is being spent (salaries, travel, etc.), how can the impact of training be maximized while reducing costs, and so on? Moreover, the system is Internet based; i.e., users can access at anytime and from anywhere with only a Browser. For more info, please visit ADVISOR web site at <http://www.bnhadvisor.com>.

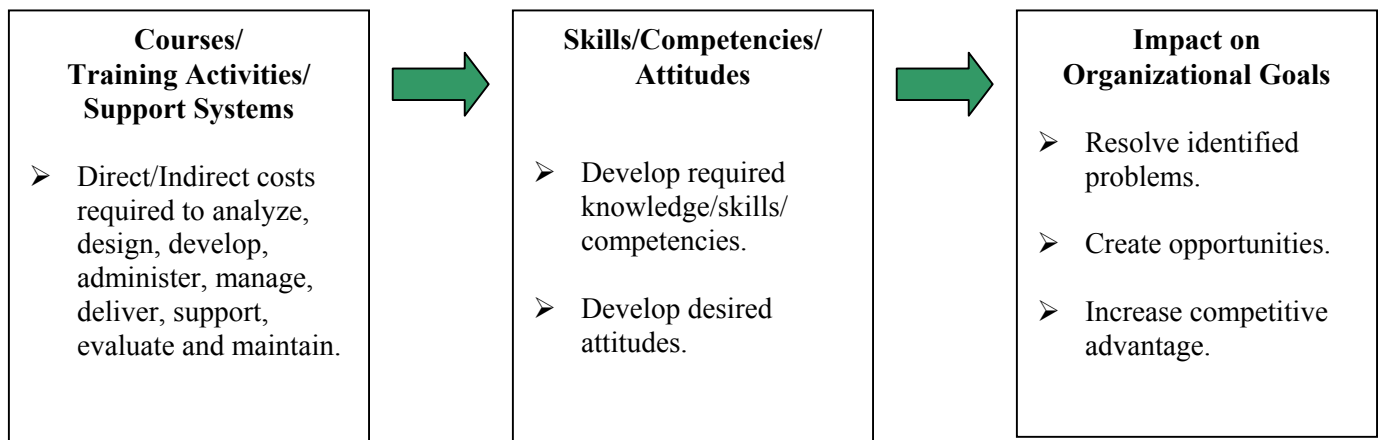
## Biography

Dr. J. (Jay) Bahlis obtained his Bachelor in Engineering from Technical University of Nova Scotia and Ph.D. from McGill University. Since 1987, Dr. Bahlis assisted hundreds of organizations in evaluating their training programs, developing learning strategies and aligning learning with business goals. Moreover, Dr. Bahlis, evaluated a wide range of learning technologies, directed research projects on the application of adult learning theories in CBT/WBT courseware, and managed the design and development of needs assessment, media selection, return on investment (ROI) and management tools, authoring and testing systems as well as over 70 CBT/WBT courseware and electronic performance support systems (EPSS).

## Introduction

Managing training budgets and resources is no different than managing any other investment in the organization, including marketing, sales or information technology. It all boils down to how much time, money and resources are required to run various programs and the benefits that are generated in return. Since the primary objective of training is the development of skills, competencies and behaviors required by the organization to meet its goals, the impact of training can be maximized by knowing:

- Training courses/activities needed for the development of the desired skills, competencies and/or behaviors.
- Time, costs and resources required for the development of various skills, competencies and behaviors.
- Potential impact of new skills, competencies and behaviors on the organization.



Once the costs and potential benefits of various training programs have been captured, training budgets and resources can be optimized in a number of ways, including:

- Evaluating impact of alternate delivery options
- Comparing build versus buy options
- Conducting multiple what if scenarios
- Evaluating what worked and what didn't and why

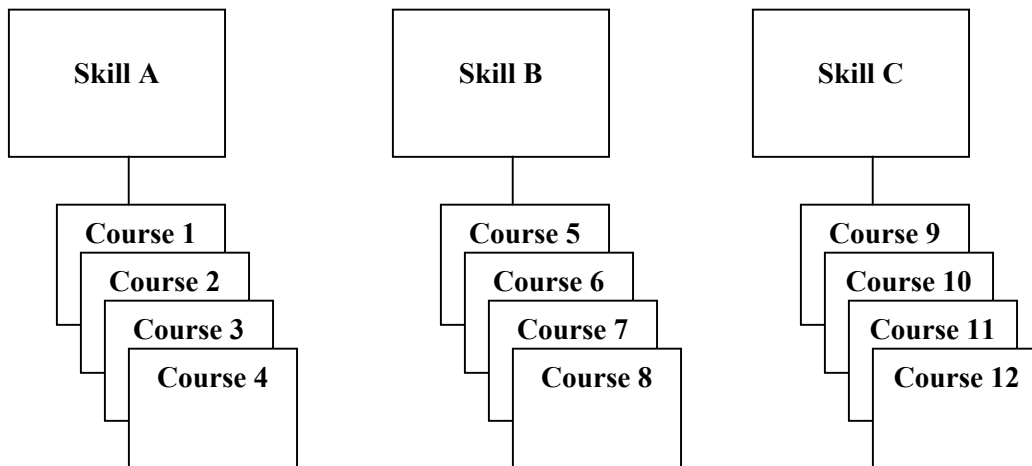
This paper presents the process used by ADVISOR Enterprise for managing and optimizing training budgets and resources. A brief description of each step follows.

### Step #1: Capture costs and outcome of each course/training activity

Training courses/activities (which can be further divided into modules/learning objects) are the building blocks. Using various combinations of courses/training activities, individuals can develop specific skills, competencies and behaviors. Since alternate delivery methods – including instructor-led, print, computer based training, conferencing, performance support systems, synchronous and asynchronous Internet based training – may result in a more cost-effective option; evaluating the feasibility of using technology based solutions, identifying the cost breakdown (i.e., development, delivery, travel, administrative, support, etc.) as well as their allocation (i.e., internal versus external resource) is critical for the optimization of training budgets and resources.

#### Step #1a: Define resulting skills/competencies/behaviors

Each training course/activity can be linked to one or multiple skills, competencies and/or behaviors. There is no limit on the number of skills, competencies and behaviors that can be defined by the organization.



#### Step #1b: Determine plausible delivery options

The primary objective of this step is to determine the ability of alternate delivery options in meeting organizational (including time and budget limitation), content (including learning objectives, activities and instructional design strategies) and learners' (including skills, motivation and attitudes) requirements. Options that do not produce the desired skills/competencies and/or attitudes will not be considered (Air Force 1998; Bahlis 1994 & 1998; Bullen, 1998; Cross, 1981; Dick and Carey 1996; Driscoll 2001; Fisher, 1999; Fitz-Eng 1994; Gagné 1985; Gery 1987 & 1991; Marx 1999; Miller 1990; Russell 1999, Sawyer 1985; Sheckley, 1985; Tough, 1978; US Dept of Defense 1999; US Dept of Navy 1990; Weinstein 1987).

**Step #1c: Determine costs and resources**

To allow for the evaluation of alternate delivery options as well as build versus buy decisions, training costs are divided into six main groups (Allen 1996; Bahlis 1995 & 1998; Barksdale & Lund 1996; Brandit 1987; Foreman 1994; Hall 1995 & 2001; Head 1987 and Phillips 1997). Costs that impact your budget – such as travel, hotel, meals, consulting fees, etc. – are classified as Direct, while others that impact productivity of internal resources – such as time employees spend in training, lost opportunity, administrative time, etc. – are classified as Indirect. Costs can be further divided into two main categories – one time (start-up) or recurring (annual) costs. A brief description of items included in each group is presented in the table below.

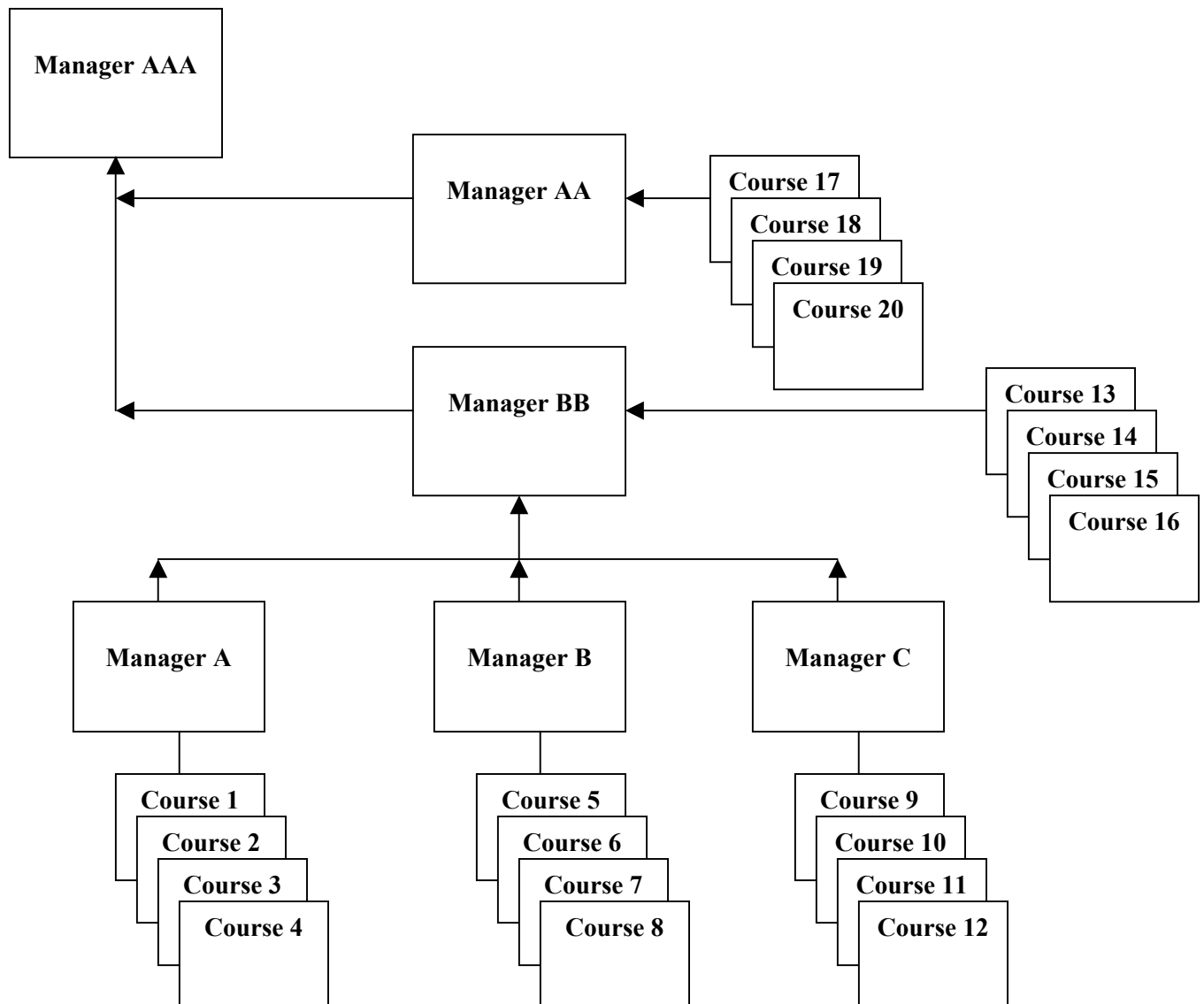
Group	Description	Classification
<b>Development</b>	<ul style="list-style-type: none"> <li>➤ Analyze/Design/Develop Training Material</li> <li>➤ Purchase/License Off-the-Shelf Courses</li> <li>➤ Formative Evaluation (Pilot)</li> </ul>	Start-up
<b>Hardware</b>	<ul style="list-style-type: none"> <li>➤ Purchase Hardware</li> <li>➤ Set-up/Install Hardware</li> </ul>	Start-up
<b>Administrative</b>	<ul style="list-style-type: none"> <li>➤ Staff (register trainees, book rooms, arrange for equipment, etc.)</li> </ul>	Annual
<b>Management</b>	<ul style="list-style-type: none"> <li>➤ Staff (coordinate course analysis, design, development, delivery and evaluation)</li> </ul>	Annual
<b>Delivery</b>	<ul style="list-style-type: none"> <li>➤ Trainees Time (lost productivity)</li> <li>➤ Trainees Lost Opportunity (lost revenue/productivity)</li> <li>➤ Trainees Per Diem (hotel, meals, incidentals)</li> <li>➤ Trainees Travel</li> <li>➤ Instructor Fees (salaries and/or consulting fees)</li> <li>➤ Instructor Lost Opportunity (lost revenue/productivity)</li> <li>➤ Instructor Per Diem (hotel, meals, incidentals)</li> <li>➤ Instructors Travel</li> <li>➤ Facility Rental</li> <li>➤ Facility Maintenance (lease, mortgage, utilities, security, maintenance, etc.)</li> <li>➤ Audio/Video Transmission Costs</li> <li>➤ Internet Connecting Fees</li> </ul>	Annual
<b>Support</b>	<ul style="list-style-type: none"> <li>➤ Consumable Materials</li> <li>➤ Course Updating</li> <li>➤ Hardware Maintenance</li> <li>➤ Staff (installing course, resolving software and hardware problems, etc.)</li> </ul>	Annual

**Step #1d: Identify plausible delivery options**

By rating the effectiveness (Step #1b) and computing the costs (Step #1c) of alternate delivery options, ADVISOR can recommend the most economical blend of delivery options that will meet your needs as well as evaluate build versus buy options. Moreover, users can easily run multiple what-if scenarios (including number of trainees, training location, etc.) and determine their impact on budgets and resources.

**Step #2: Compile data**

Each individual with training/learning responsibility can compile data from his/her courses/training activities to manage their own budget and resources. Moreover, the data is organized in a hierarchical structure and is automatically rolled-up to the supervisor. A graphical representation is presented below. In the present example, Manager A can only compile and view data related to courses 1, 2, 3 and 4. Since Managers A, B and C report to Manager BB, then this individual can compile and view data on courses 1 through 16. Similarly, Manager AAA can compile and view data on courses 1 through 20.



With data from all courses at your fingertips, you can:

- Uncover the cost of doing business. Determine budgets and resources required to run one or multiple training programs, gain required skills and competencies as well as find out where money is being spent (salaries, travel, etc.) With ADVISOR, you can easily determine the true costs of training call center employees, auditors, customer service staff or developing supervisory and management skills, etc.
- Minimize duplication and waste. Compare the costs of running similar training programs to identify and duplicate training programs that are running efficiently as well as correct problem areas.
- Reduce time required to prepare budgets and forecasts. Detailed up to the minute reports can be generated for each course, manager, division (i.e., business unit or school) or the entire organization. The results can be presented in a variety of formats to meet various needs.
- Benchmark your training investment. Generate ASTD equivalent benchmark reports (including training expenditure per employee and as a percentage of payroll, employee/trainer ratios, % of expenditure going to external organizations, % of training delivered using alternate technology, etc.) to gauge your investment over time, to peers and competition.

### **Step #3: Align training with organizational goals**

Meeting the learning objectives is not the ultimate goal. The primary objectives of training programs are to develop skills, competencies and/or attitudes required by the organization to resolve specific problems, create new opportunities, increase competitive advantage or offer employees opportunity to grow and remain employable. By identifying/prioritizing skills and competencies required by the organization at any particular time, ADVISOR can easily separate as well as determine budgets and resources required to run the “need to have” versus “nice to have” training programs. Moreover, you can:

- Document decisions and present results with confidence. Based on extensive research, tested on thousands of courses and used by hundreds of organizations since 1995. Reasoning behind the recommendations and detailed computations are clearly presented and can be easily validated.
- Develop effective presentations. Generate clear, simple to follow charts, tables and reports to effectively communicate the results to others.
- Defend your budget. Generate detailed breakdown of the costs and resources required by various training programs and how they contribute to the development of the skills, competencies, and behaviors required by the organization to resolve specific problems, create new opportunities and increase competitive advantage.

### **Final Notes...**

- ADVISOR controls quality at a distance. Generic data, such as trainees' profile, instructor fees, travel costs and development time, can be saved in templates and made available to course managers. Moreover, privileges can be assigned to each user to limit access to system functions, such as creating and editing templates.

- ADVISOR three-tier design (client, server and database) provides a complete Java based, open platform that is robust, flexible, extensible and scalable. Whether you are managing a few courses locally or hundreds of courses worldwide, ADVISOR can meet your varied needs.

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