



How To Safeguard Your Training Budget In Tough Times

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Introduction

In tough economic times, every element of the corporate budget comes under review. Cuts can be announced at any point in the year in reaction to poor numbers in the market or sales forecast shifts. This can make the job of a training and development manager extremely difficult.

Training and development investments are unlike any of the other investments that the business makes. You can't buy and sell them in the open market, and the results are not as immediately tangible as say, installing a new computer system. This can make training and development budgets prime targets for cuts in downturns, since they are less obviously visible in the day to day life of the business.

However, training and development programming is critical for the future success of the business, and those who cut too far today will undoubtedly feel the effects in later years. A lack of quality training and development programming can cause top talent to head to the nearest competitor, for the firms' existing staff to be under-trained, and for the firm to become increasingly vulnerable to compliance and risk management problems.

Add up all of these factors and you have the headlines that make managers cringe: "Scandal Caused By Inept Staff," or "Local Business Trowned By Foreign Competition," or "Bankruptcy Strikes Local Firm."

If these seem alarmist, it is merely because in the present day it is hard to build links to future consequences. Times are tough and it is a struggle for firms to survive. This means that to protect your training budgets to ensure the future life and well-being of your firm, you need to be prepared to fight a hard, long battle for all of your spending power.

Of course, it is not enough to simply dig in your heels and resist cuts. You have to be able to build a solid case for why your training budget needs to be sacrosanct during budgetary cutbacks. This guide will show you five ways to build your business case, prove your worth, and keep your chin up as you battle for your budget. It will show you how to:

- Link to critical business initiatives
- Make talent development spending a part of the strategy
- Quantify ROI on training investments
- Pick your big rocks
- Never give up

With these tactics on your side, you will be armed and ready to be fully funded in the years ahead.

1

Link To Critical Business Initiatives

The first element in any battle for your training budget is showing your relevance to the discussion. While you understand your relevance to the business intuitively, other parts of your company do not. In fact, depending on how your company is organized, as a cost centre instead of a revenue zone, you may be left out of budgetary discussions until it is too late if you do nothing. However, you can ensure that you are invited to the table with something meaningful to discuss by linking your training programmes to critical business initiatives.

Many firms are halfway on this point. Your training and development programming is built out of business planning and performance evaluations. However, much of what comes to you in this way is reactive, making your department's programming one step behind at all times. You've discovered a skills gap and in you're in the process of patching it up.

GET AHEAD OF THE GAME

Instead of being cast as the perpetual fixer of problems, you need to find a way to get ahead of the game so that you are offering real time solutions to business departments as they need them and before the skills gap is an emergency. One of the ways to do this is to tie your training programming to critical business initiatives.

As a part of this process, you need to be able to succinctly answer the question of "How does this training programme enable the future success of XYZ priority initiative?" If you can't explain it in a minute or less, you haven't got a clear enough case to pass muster the first time you have a chance at an executive ear. Whittle your case down to its hardest hitting and most central tenets to get the most impact.

Making this clear tie-in firmly attaches your training programme to tasks that the business is set on accomplishing despite the tough economic climate. This takes the training budget out of the nebulous "nice to have" zone where it often lives and puts it in front of executives in a "must fund" role. As a

result, protecting the training budget becomes not just your priority, but a top priority for the business.

2

Make Talent Development Spending Part Of The Strategy

Another weapon in your battle for your budget is talent development. Few business leaders will argue that they need lower quality talent. The key to leveraging that logic to your advantage from a budgetary standpoint is showing business and finance partners how the talent development expenditures they are fighting are really the soul of the business survival strategy.

MOVE TALENT ISSUES TO THE FOREFRONT

The business saying goes "You put your best people on your toughest problems." Yet how will your business have good people to put on problems if they axe training and development spending? Study after study has shown that human capital flows to where it is treated the best, just as does regular capital. Talented employees with the ability to move will leave your firm high and dry as they run for greener pastures in tough markets.

Executives don't always think this through as they are plotting cost savings for the quarter. They have pressure to make quick decisions for immediate results. You have pressure to deliver long term results for the firm and not let them get hamstrung by impulsive cuts to your budget.

A good strategy to make this case to business leaders is to run the numbers to get the correlation between training and development expenditures and turnover at your firm. You can run them for specific divisions that are in programming peril, or you can do the whole firm at a glance. You should be able to generate a formula that will show concisely and convincingly how cuts to one area lead to increased costs in another.

Even the most hard nosed cost cutter can recognize the law of unintended consequences at work when it is spelled out in black and white on paper. You can protect your training budget against cuts in tough times by showing how those cuts aren't really cuts at all – they simply create new and potentially greater expenses elsewhere.

3

Quantify ROI On Training Investments

In addition to showing how training budget cuts have real, hard costs for the business, to safeguard your training budget you should also be able to demonstrate the ROI for each of your training investments. This helps to turn training expenditures from nebulous soft costs into visible means of earning a positive return for the business.

POPULAR METHODS FOR CALCULATING TRAINING ROI

There are a number of different systems which can be used to determine the ROI for a training expenditure. Five of the most popular and commonly used methods are:

- Shifts in per employee revenues
- Lower turnover levels in key populations
- Reductions in compliance costs or ethics fines
- Changes in 360 scores / peer feedback
- Improvements in internal candidate quality

These five can be used to build a solid case for each training expenditure, or to develop a basic ROI for the training and development division as a whole. The list above can also serve as a starting point for your firm to develop their own list of key training ROI data points.

USING TRAINING ROI TO SHIFT THE CONVERSATION

Being able to demonstrate the ROI for various training investments arms training and development managers with the numbers to shift the conversation when it comes to the budget table.

While others at the table will be talking about forecast results and estimates, you will have hard numbers to share based on past performance and benchmarking. In this way, you can make the argument that while cutting

the training budget might save £50,000, leaving the training budget as it is would generate more than £70,000 for the business.

Numbers like these can't be ignored when others are speaking in generalities. It also shifts the conversation from abstracts that financial team members may not be able to grasp – i.e., leadership development, team building, or soft skills training – to tangibles that they can instantly understand.

It is important not to underestimate the effect that can be had when you are speaking the right language to your business partners. In addition to being somewhat unexpected from the prototypical HR or training division, it brings training expenditures out of the shadows and up to the level of other investments. Rather than simply thinking of subtractions, finance partners can now think of how training adds to the bottom line.

Training ROI's can also be used to help you protect your budget by demonstrating how your spending can save the firm from having to do cuts in other areas. For example, if you can show that leaving the training budget as is will generate an additional £200,000 in profits for the sales division, it may not be necessary to reduce headcount in that division this year after all. This is a win-win situation for both you and the entire firm.

4

Pick Your Big Rocks

A slightly different strategy for safeguarding your budget in tough economic times is picking your big rocks. It's a bit of a shift from the strategies discussed in the previous chapters, because it's not about safeguarding your entire budget. However, it is about escaping a scathing round of budgetary cut backs with as little damage to your overall training and development framework as possible.

CLEARLY IDENTIFY YOUR CORE PROGRAMMING

As a part of this strategy, you need to look at each element of your training and development budget and determine what is absolutely critical to the success of your division and the company. Think of it as a burning house exercise – if you could only get out with a few things, would you rather escape with your family or with your collection of used lottery tickets?

Often, this process of identifying the core programming will involve a series of meetings with training staff members and business partners. When talking with business partners, you don't necessarily have to be transparent, though it helps. Let them know that you are trying to determine what is the most critical for their success and yours, and let them help you prioritize.

Behind closed doors, do your own prioritizations as a team with the data that you know as training leaders. Do a forced ranking and work to gain consensus so that if the worst happens, the team is united on the items that must not be sacrificed in order to be able to continue.

PEG YOUR SACRIFICIAL LAMBS

At the same time as you are identifying core programming priorities, you should also be identifying your sacrificial lambs. These are the programs that you can publicly sacrifice while hopefully escaping with the rest of what you really need to keep.

The metrics that you develop for ROI and linking to critical business strategies can help you as you strive to identify your sacrifices. Programs

that have low feedback scores, don't generate a sufficiently positive ROI, and aren't essential to the current business environment should all be red-flagged for potential cuts.

Naturally, under situations where there were no outside wolves lurking at the door, you would be doing this sort of updating and reorganizing of your programming anyway. You would be constantly evaluating and working to improve your training programmes, funding and defunding as needed with the knowledge that you could reallocate saved funds to new programming.

However, in tough economic times, that reallocation choice is sometimes lost from these situations. Thus, as you evaluate, you want to at least have the free choice over what is top of the list for the axe, lest you lose a prized program and end up with a stable full of duds.

PICK YOUR BATTLES CAREFULLY

Once you have identified your big rocks and your sacrificial lambs, you can pick your battles carefully at the budget table. You can fight for everything at first, and then come up with savings as needed. With your priorities ranking, you will be better able to play the part of a savvy negotiator and come back from the finance meetings with more of what you need to have for your budget for your continued success and survival.

It may seem terrible to imply that a certain amount of posturing and game playing will be going on in the budget planning rooms, but there is no doubt that being able to trade and deal will be to your advantage. If you suspect that you may not be able to keep your entire budget or all of your programming, ensure that your team nevertheless comes out of the budget negotiations a winner. Identify your own sacrifices and make them to ensure that you can keep your big rocks operational.

5

Never Give Up

In addition to plotting the numbers, linking to the business strategies, and choosing your critical programming to save at all costs, it is also important to safeguard your attitude along with your budget.

Vultures can smell impending death, and defeat has a stink of its own. Slogging through tough economic times or a large downturn at your business is certainly demoralizing and worrisome. However, if you let the downturn begin to affect you personally and to infect the morale of your training department, nothing good will come of it.

It will be impossible to safeguard your budget with a defeatist attitude. **DO NOT GIVE UP SO EASILY!**

Naturally, there will be meetings where it seems as though everyone else at the company has already sunk their claws into your budget. There will be days where you think that you will never see another dime of funding.

For those days, endure.

On other days, you may discover that your training programmes have allies in corners you never suspected. You may find that a business manager has agreed to commit a part of his budget to fund your training for his space, easing your own budget pressures. You may find that some programs are fully funded without fuss or negotiation.

Live for those days.

Safeguarding your budget through tough economic times means you need to be flexible, adaptable, and personally resilient every step of the way. It is not easy to protect your budget; there's no victory in thinking it is. On the other hand, defeat is what you make of it. Find a way to create a winning situation for your budget and your business, even if it looks nothing like what you had imagined when you originally began to plan.

Concluding Thoughts

In tough economic times, every element of the business plan comes up for review. This includes the training budget you have fought so hard to establish. Fortunately, you don't have to stand by idly and watch it be diminished in any capacity.

Throughout this guide, you have learned five different strategies that you can leverage to make the business case for your training programmes, prove the return on your training investments, and make the most of tough situations by focusing on the critical initiatives. You have seen than to safeguard as much of your budget as possible you should.

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- Quantify ROI on training investments
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In short, you should never feel like you don't have tools on your side to fight for the programming that your business needs to survive.

Economic cycles are just that – cycles. They go up and they go down, and your business makes its own journeys in response. Whichever way your business is trending in these tough times, use the tools and funds at your disposal to ensure that they are equipped to succeed (and fully fund their training programmes) in the future.