



TenStep Supplemental Paper

23 February 2006

Penny Wise, Pound Wiser!

What goes into planning an effective training budget?

Key Learnings

- A strategic training plan allows organizations to achieve their training objectives with little compromise in the monetary department
- The plan also helps justify budget allocations and training expenses

As challenging as it is to prepare a simple training and development budget, the task gets more complicated when a manager has to:

- Prepare a zero-based budget
- Defend every item, big or small, on the budget or risk losing it
- Include creative solutions to increase returns on every penny invested
- Devise strategies to do more with less

What training managers require at this juncture are guidelines for budgeting effectively. Experts recommend beginning with a strategic training plan.

Well-Planned is Half Done

A strategic training plan justifies budget allocations and training expenses. It also goes down well with sponsors and financial professionals. More importantly, the plan allows an organization to achieve its training objectives with little compromise in the monetary department.

A strategic training plan is framed on the assumption that the way organizations conduct business will change completely in the coming years. The change will include a complete roll-over of either personnel or technology, or both. This roll-over will force training departments to decide:

- What needs to be learned?
- How will learning take place?
- Will employees require more training, mentoring, coaching or temporary job assignments to acquire new skills, knowledge and abilities?
- Are employees are looking out for new challenges?
- How can seniors mentor new high-potential hires?

Spreading the Word

With training decisions in place, what follows are efforts to communicate the plan in an attempt to build consensus and gain organization-wide support. While sharing the plan with colleagues, a manager can ask for their feedback and modify the plan if necessary.



TenStep Supplemental Paper

The plan can then be presented to immediate seniors for their approval. Some managers share their plan with key stakeholders as well.

General discussions or group meetings can be held to communicate the plan organization-wide. Communication ensures that the training budget, when tabled, will attract minimum flak or unfavorable reactions and avoid being vetoed. Moreover, managers who communicate their long-term training plans effectively are seen as forward thinking and able strategists.

Available Budgeting Strategies

There are four popular ways of preparing workable and realistic budgets.

- **Value budgeting.** This form is used when a training manager works within a 'suspected' or known budget. Budget estimates are based on what the organization will support and what it will not.
- **Historical budgeting.** Here a training manager reviews past budgets with similar size, scope and costs and establishes a new budget based on that.
- **Quote shop budgeting.** Organizations often ask two or three credible vendors to submit budget estimates and choose the most appropriate one. This is a method of seeking quotes.
- **Benchmarking budgeting.** This is used when peers in an industry share information on training, budget estimates and related costs. A training manager can then compile best budgeting practices in the industry to formulate the budget.

Metrics - A Must

Having chosen a budgeting method, the strategic training plan recommends three measuring points to establish nearly accurate estimates.

These measures include:

- Total training costs
- Cost per training initiative
- Cost per learner or participant

More Planning

Another feature of an effective training plan is that it caters to various mandatory training programs that include:

- Regular training to enhance the standards, skills and knowledge levels of employees. Such training may include various professional certifications, software application courses, modules covering the latest safety and legal procedures.
- Training that is absolutely necessary. This includes various compliance and legally mandated programs, and health and safety regulations including prevention of sexual harassment.



TenStep Supplemental Paper

- Development training that includes modules in conflict management, time management and team building. Such training is usually sought by a group of employees

Besides mandatory training programs, a good plan provides for the training needs and capabilities gaps that emerge while developing the strategic training plan. Also, it caters to the learning needs of employees looking for a change of responsibilities or new challenges.

Things in Place

The budgetary methodology, metrics, mandatory training programs and certain organization-specific add-on programs provide a basic framework within which most budgets operate. What if a manager is asked to stretch his budget? The following low-to-no-cost options can help training managers do more with less.

- Encouraging employees to mentor or coach subordinates and new hires. Get a person who is leaving to mentor his replacement.
- Encouraging employees to read the top three books published in their subjects.
- Providing tuition assistance and reimbursement to encourage employees to enroll for short courses and distance-learning programs.
- Subscribing to packaged tutorial programs - they are much more economical.

At times, even off-the-shelf, formal training programs address a bulk of learning needs efficiently.

Professional Woes

Training professionals are often over-worked. They are either pressed for time, resources or both. It is common practice to hire consultants or buy training. An effective training budget makes provision for such initiatives, and a training plan must account for them. The following guidelines ensure that organizations hire consultants or buy training in the most economical way.

- Use professional networks or associations to identify appropriate vendors. Reputable consultants either belong to professional associations or are well-known within the industry. Industry associations too are a good source.
- Go by others' experience and recommendations on consultants. Asking peers for their opinion on consultants is the most economical and almost guaranteed way of finding consultants who best answer the organization's training needs. A peer's real-life experience with a particular consultant puts him or her in a position to comment on a consultant's knowledge, on-the-job performance, responsiveness and ability to deliver.
- Select consultants as one would select new hires. It is important to be specific and unambiguous about what the organization expects of consultants. When selecting



TenStep Supplemental Paper

consultants through vendors, state needs and requirements clearly. It is advisable to ask for references, work samples or even a presentation.

- Never fall for the low price gimmick. Keep in mind that the lowest price option is not always value for money. Consultants are high-priced, so it is prudent to evaluate their intellectual level and track record.

Choosing the right budgeting method and metrics, adopting techniques to do more with less and buying right can help prepare a training and development budget that is difficult to reject.