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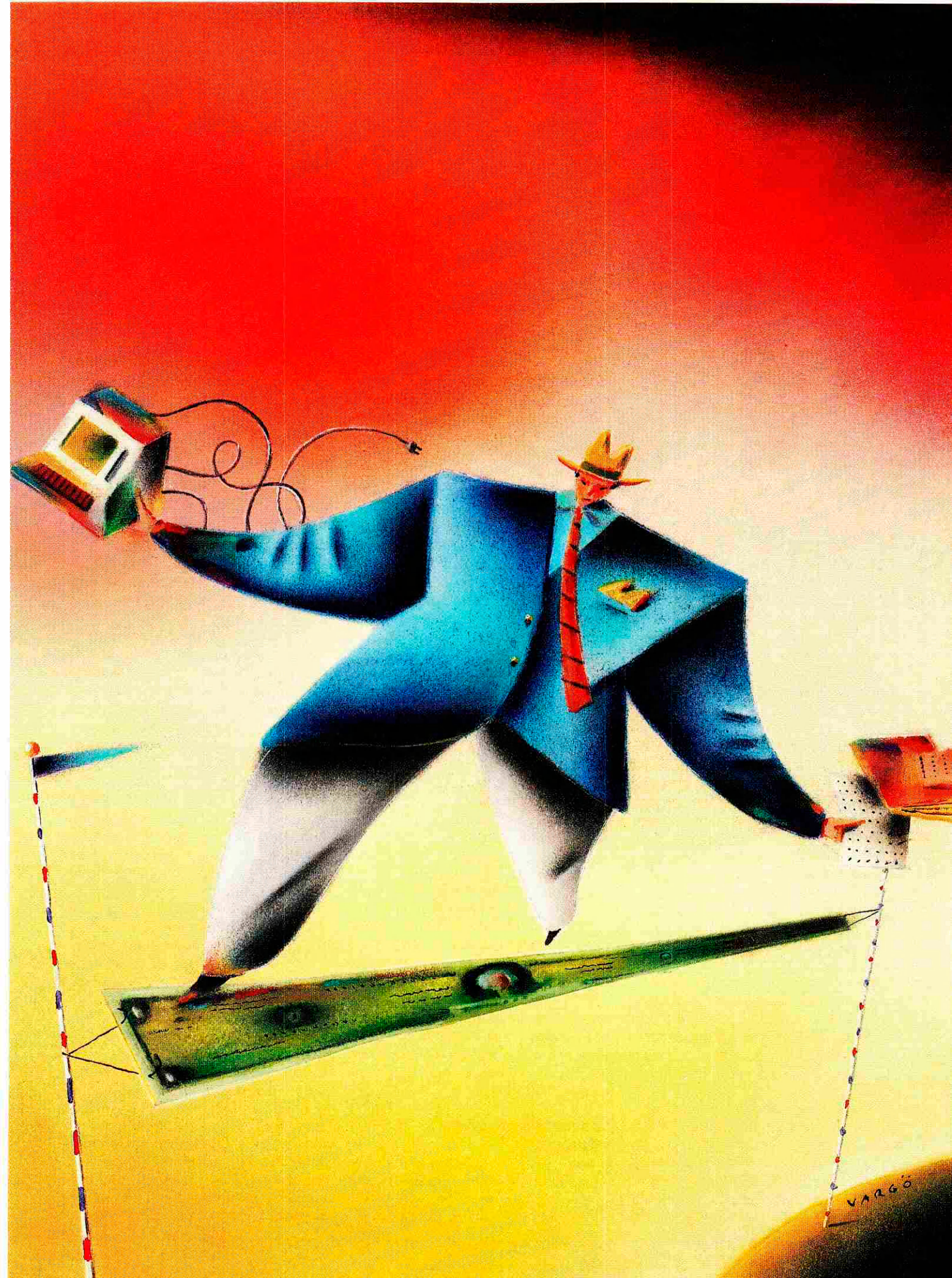
*HRD Resource Allocation,
Cost of Training*

At a time when training budgets are shrinking, economic forecasts are heralding unprecedented demands on the U.S. workforce. Several key forces drive the need for more training—and for retraining. Among them: new technologies, an ever-expanding international marketplace for goods and services, and increasing competition for markets in the United States and abroad.

BY MADELYN R. CALLAHAN

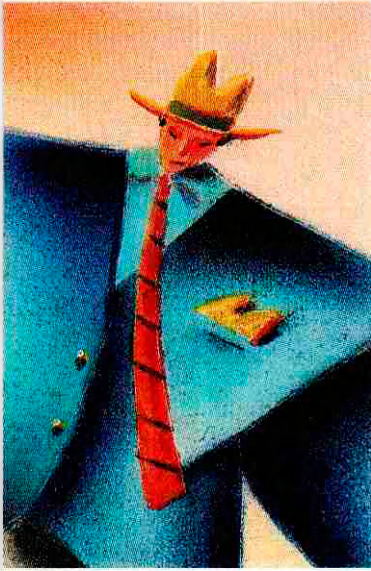
Training on a SHOESTRING

YOU CAN FIND EFFECTIVE WAYS TO TRAIN EMPLOYEES.
AND YOU CAN DO IT ON A TIGHT BUDGET.
IN-HOUSE TRAINING MANAGERS AND
EXTERNAL PROVIDERS SUGGEST
SOME CREATIVE WAYS
TO CUT TRAINING
COSTS.



VARGO

TRAINING CAN BE JUST LIKE ANY OTHER IMPULSE PURCHASE



In fact, recent studies by the National Center on the Educational Quality of the Workforce, based at the University of Pennsylvania, show that employers are requiring more skills for production and support positions than they've asked for in the past. In a survey of 3,173 private-sector firms with 20 or more employees, 57 percent of respondents said they had increased their skill requirements in the previous three years.

The survey also found that employers were addressing the issue of increased requirements by making training available to their employees. In fact, 81 percent reported providing or paying for formal training; 57 percent said they had increased their training efforts.

At the same time, businesses, particularly small business, are feeling the pressure to cut back on many expenses. And training is a key area of cost concern. In a recent survey by National Small Business United, small firms described the challenges to their survival and growth. More than one in five of the businesses surveyed ranked problems with recruiting and retaining qualified, well-trained workers—specifically the cost of training workers—as their most significant challenge.

The message is clear: In an atmosphere of dwindling training dollars, training managers are forced to do more with less. In effect, companies want training departments to help them answer today's challenges—but to do it on a bare-bones budget.

Here are a few ideas for cutting back on costs while still moving forward with high-quality training.

Needs assessment is key

For training departments that want to save money on training, the first order of business is to conduct a thorough needs assessment, says Lorie Prouty. Trainers can develop programs based on the solid results they get from such an assessment, she explains.

Prouty is director of the Business and Industry Institute of Foothill-DeAnza Colleges in California.

She says that her experience in helping Silicon Valley companies develop training programs and strategies has shown her what works and what doesn't. And needs assessments, she says, are crucial. Without a survey to pinpoint the skills the company needs, she cautions, the training you select isn't likely to work.

"The needs-assessment strategy is really fundamental if you want to avoid wasting training dollars," Prouty says. "Investing in training can be just like any other impulse purchase. Someone may come along with a glitzy package. And the head of the training department or HR department gets really excited about it and buys it. And nobody's interested."

Too often, she says, the person who thinks a program sounds good hasn't done an assessment to see if the target skills are needed or if anyone in the company is interested in learning those skills. She says that a proper needs assessment can help an organization maintain a clear focus on ways to enhance the skills of its current workforce.

Local colleges offer lower costs

Prouty observes that local colleges are consistently overlooked as a money-saving resource. Over the years, she's noted that many people in in-

dustry assume that community and junior colleges are able to deliver only basic-skills training—that they don't have the expertise needed for delivering high-level training in management, marketing, and technical skills.

That assumption, she insists, is wrong. She warns that avoiding the local-college alternative is to pass up high-quality training at reasonable prices.

Community colleges, like other training providers, are in the business because they've realized that training can be a lucrative market, says Prouty. "They know they have much to offer employers, so most colleges have departments that offer training services at a very low cost," she continues. "In our case, some of the very same trainers who go out on their own and offer their services to companies will work through us for less, if we negotiate with them."

Prouty says there is often a huge cost difference between the offerings of local colleges and of private training suppliers.

She recalls a major corporation that was looking for marketing and finance programs for its vice-presidents and directors. The courses were eventually led by three professors from a local MBA program. Prouty says the bids from other suppliers were three to four times higher.

Another company paid \$37,000 for seminars from local schools on time management and conflict resolution. According to Prouty, the firm's analysis showed that private suppliers would have charged \$122,000 for the same training.

Prouty adds that local colleges also provide ancillary services such as skills assessment, counseling, and tutoring—for a fraction of what some private-sector training suppliers charge for those services.

Beating the high costs of outsourcing

If you outsource training, it doesn't hurt to negotiate. Many suppliers are willing to offer volume discounts. Some will charge less for an initial offering, just to get a foot in the door. Where there's a per-person rate and the group is larger than the minimum required, Prouty recommends negotiating for a lower cost per participant.

But some costs are not negotiable, she warns. For certain up-front demands—such as lengthy proposals and extensive meeting time to sell a program to management—suppliers will tack extra fees onto their bills. Companies that don't want to incur such costs should limit those demands at the outset.

"There have been times when a company has given me a request for a proposal," Prouty recounts. "I looked at it and thought, 'Well this is going to take 80 hours to put together—and I'm building that into the cost of delivering this program.' It has to come from somewhere."

Another way to beat some of the high costs of outsourcing is to provide programs on site instead of off site, Prouty says. Per-person rates for off-site programs may appear to be low, she explains, but the hidden costs add up: time away from work, travel expenses, lodging, long-distance calls, meals, and rental cars, to name a few. In many cases, an on-site offering serves several employees for the same amount of money that a company would spend to send one employee away for training.

Companies also can increase savings by cutting down on the costs of materials. Such fees can significantly inflate training costs.

Prouty recommends asking a training supplier to provide a master copy of the materials, so that the client organization can make its own copies in house. This works especially well for binders containing notes and printed copies, she says.

"You have a \$3 binder with perhaps \$8 worth of copies inside," she points out. "But the vendor charges about \$30 to \$50 per person for it."

Tips for small groups

Small organizations, in particular, should consider offering training programs in partnership with other companies. Prouty suggests such joint programs for firms that don't have enough employees to justify the costs of developing programs in house or conducting them on site. She offers technical training and management training as examples of popular kinds of programs that several companies could share at one time.

Prouty explains that sharing train-

YOU HAVE A \$3 BINDER,
BUT THE VENDOR CHARGES
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ing can be a good strategy for a small company that cannot support a full training department. For such a firm, she says, the options are limited: either send staff to a distant location, or bring in suppliers to deliver the training for a few employees. Either choice can be costly.

But distance can offer an advantage—if it's distance learning via the Internet, Prouty says. On-line training can be especially effective for businesses in less populated areas and for those that have only two or three people who need training in a subject.

Another advantage of training via the Internet, Prouty adds, is that it seems custom-made for many technical employees. By virtue of their experience and ease with computer technology, many technical employees are particularly comfortable with this mode of training delivery.

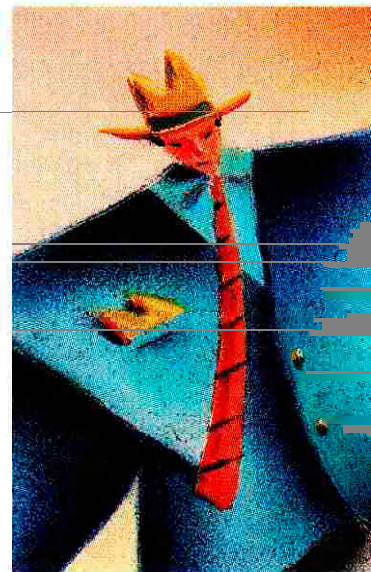
Computers save money

Quality coach Alan Crudden reduces costs by emphasizing computer-based training combined with pre-reading.

He says his employer—IBM Credit Corporation, a wholly owned subsidiary of IBM, in Stamford, Connecticut—makes available educational and training opportunities on a regular basis.

"You have to have people who have knowledge and who can adapt as time goes by," Crudden says. When an organization's employees have available a wide spectrum of educational opportunities, he says, the workforce becomes more adaptable—and the company will be more adaptable in the future.

Employees of Crudden's company can access courses on-line and download information to their PCs—or they can select from offerings on the mainframe. During downtime or breaks, an employee can work on a training module.



In environments of great workflow fluctuation and demand, such as phone centers, self-paced training can fill workers' time during slow periods. Employees can dial up modules and work at their own pace. Then, when the volume of calls begins to pick up, they can quickly switch screens to get back to their everyday work.

Crudden explains that the combination of computer-based training and pre-reading or other supplemental activities can save money. Classroom time is used only as a follow-up, for questions and answers, or for explanations of how certain situations could be handled in an actual work environment.

As an example, he describes computer-based training that focuses on policies regarding an organization's prohibition against contributions to political campaigns. A follow-up session to the CBT curriculum might answer such questions as these:

- What should a manager do if an employee begins an in-office solicitation for political contributions?
- How could that manager protect the company's position while respecting the employee's intellectual freedom?

In self-paced training, instructors aren't limited to working at a rate conducive to the group's median level of learning, Crudden says.

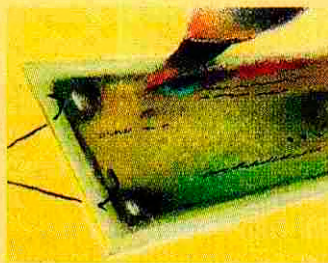
In addition, he points out, the combination of pre-reading and computer-based learning also addresses different learning styles. In effect, the students who tend to learn best from

The Fine Art of Scrounging

HR specialist Charlotte Sebastian says she learned some of her bargain-hunting skills from a former boss. The boss's creative approach to saving training dollars is best illustrated, she says, by a trip to a training fair that turned into a shopping coup.

Sebastian and her boss were in the market for flipchart holders. They waited until the end of the training fair and then approached suppliers who had been using such holders as display items.

Her boss asked the suppliers if they'd be interested in negotiating a reasonable price for the holders—and saving themselves the effort of lugging the cumbersome items back to their home offices. Sebastian says her company got a



great price for the equipment.

Using unconventional meeting space is another tool in Sebastian's repertoire for cutting costs.

When she was with the nonprofit Wilder Foundation, Sebastian called on a member of the foundation's board who was also on the board of a historic residence in the St. Paul area. Sebastian asked her about meeting space—and was allowed to use the residence at a cost considerably lower than the premium prices she would have had to pay for formal meeting space in a hotel.

In another instance in which Sebastian was searching for space, a local science museum allowed the foundation's staff to use its meeting area. The only expense was the cost of refreshments.

images and pictures gain the most benefit from the computer graphics; those who prefer print focus on the readings. Catering to multiple learning styles is often more expensive in a classroom setting.

What's in a number?

Whatever method companies use to compute cost savings, Crudden says the goal should be to keep people on the job as much as possible, while still making training available. The alternative—taking employees off the job for training—can significantly reduce productivity.

"This is especially important where you have a transaction-driven operation," he says. "If you take out half of a department, you cut your productivity by 50 percent. If I took half of the people out of our call centers, customers would start hanging up, and business opportunities would be lost. And management wouldn't go for that."

Computers can teach, can help people communicate with each other, and can provide reference material. So why not use them instead of print?

That would certainly save on the cost of reprinting training materials, says Mark Neff, HR systems manager

for the Integrated Systems Division of Computer Sciences Corporation, in Morristown, New Jersey.

More to the point, the amount of paper that some training programs generate can be surprisingly wasteful. Neff wonders how much information really must be reproduced in paper form for every trainee. Much of the time, he says, the only things the employees actually need are summaries and job aids from the training.

Do they even need their own copies of those things? In some cases, says Neff, the answer is no. Instead of making copies of everything for everyone, he suggests, put a copy in the company library so employees can consult it when they need to.

Better yet, Neff observes, if there's a way to make the material available electronically, you might be able to eliminate entirely the costs of printing and reproduction.

Use experts expertly

Neff advises companies to make wise use of subject matter experts' time. Remember, the SME consultant is on the clock every time you call for clarification. One way to limit mounting expenses from repeated consultations

is to ask the SME if you can tape the initial interviews. Later, if you have a question or need some clarification on an issue, you can refer to the tapes for the answer.

He reminds companies to keep the interviews short and to the point. Two ways to ensure against wasting interview time: Be brief, stay focused, and make the purpose of the interview clear from the outset. Neff suggests providing the questions in advance, to give the SME time to think about the answers, rather than forcing him or her to come up with a response at the last minute.

Neff sees a strong drive toward making line managers responsible for training.

"We need to hold our managers accountable for what they should be doing," he says, adding that the overall increase in responsibility now puts the onus on managers for staff development. He believes that such accountability is a "big piece that's been missing."

Another incentive for transferring training to line managers is that many employees prefer to learn from their immediate supervisor, Neff says. Supervisors can provide one-on-one learning, they already know their employees' preferred learning styles, and they're aware of learning problems. In addition, supervisors are completely familiar with the jobs, performance standards, corporate needs, and corporate culture.

Most outsiders would have difficulty absorbing all that background information. Even a consultant who is a "quick study" could wind up being expensive, Neff warns.

Partners in cutting training costs

Like Prouty, human resources generalist Charlotte Sebastian has found that sharing resources with other companies provides great benefits, both in savings and in professional development.

Sebastian is now a senior HR representative for Medtronic, a designer and manufacturer of medical devices in Minneapolis, Minnesota. But she spoke of her experiences as a training manager at the Wilder Foundation, a small social-services nonprofit organization in St. Paul.

At Wilder, she says, she cut her teeth on ways to cut training costs. Then she brought many of those skills to her job at Medtronic.

She discovered that by working in partnership with other organizations, she can get the most benefit out of her own resources—and can gain access to the resources of other organizations.

For example, Sebastian joined forces with a trainer at the Metropolitan Transit Corporation—the local bus company, which had its own training department. They developed a “bartering” relationship for slots in the two companies’ various training programs.

In exchange for permitting foundation employees to attend MTC programs, Sebastian would conduct a program on training awards and recognition for MTC’s employee base. The program was one she’d already packaged and had found to be successful. She delivered it once. Then she granted MTC the right to use her design and have its own trainers pick up the responsibility for it.

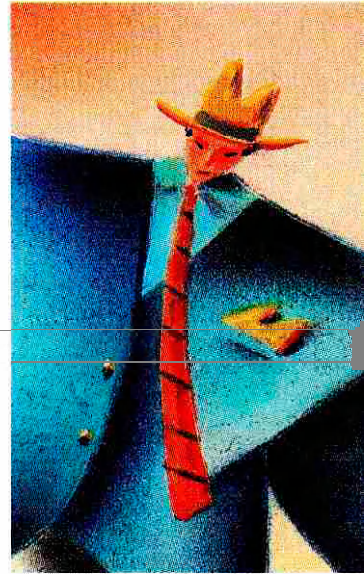
Partnerships also offer her an opportunity to exchange ideas, Sebastian says. “One thing I struggled with as a one-person training department was the absence of colleagues. Partnerships allow me to have the advantage of being part of a larger training function. Sometimes it gets rather lonely out there if you’re a sole practitioner.”

Checking suppliers’ bills carefully is another money-saver, Sebastian says. Take the time to make sure that you’re being charged only for what you’ve used, she warns. “A lot of money is wasted by not checking hotel bills when you use hotel meeting facilities. It’s amazing what errors creep in.”

And don’t be shy about complaining to a training supplier or facilities manager when there are problems. Sebastian recommends registering complaints if you think you’ve received inadequate customer service. Most times, she says, a training supplier or consultant will offer some form of compensation to make up for the deficiency.

“I didn’t use complaining as a trick,” she says, “but if attendees were genuinely upset, or if we felt that the program was misrepresented, I would

DON’T BE SHY ABOUT COMPLAINING TO A SUPPLIER



complain. And I’d receive either a total refund, or an invitation to attend something of equivalent value in the future—or at least a reduction in cost.”

Sometimes the best is free

One “amazingly cheap” resource, says Prouty, is the Internet. She regards this electronic forum for exchanging ideas and information as an extension of networking for developing professional relationships.

E-mail capabilities provide you with Internet access to people who have had real-life experiences in training and who can offer valuable advice, at no cost. Again, Sebastian says, good shopping skills come in handy. She recommends taking advantage of the free insights that are “out there” by asking people on-line about the resources they’re using and their approaches to certain kinds of problems.

Sebastian says the key to creative cost-cutting is a willingness to break with traditional perceptions of training and paying for training. In her mind, nothing in life is ever really free—but then, money really isn’t everything, anyhow.

“There’s always a price,” she says. “If you don’t have the dollars, what you’ve got to rely on is your creativity, your time, and your professional relationships. That’s the currency you have to use in negotiations.”

In other words, having to accomplish a lot on a shoestring can provide valuable motivation. “Sometimes it forces us to step back and look at how we can do things differently—to be more creative, because that’s what we have to draw on rather than cash.”

For Sebastian, budget has rarely been an obstacle to getting some training project done, she says. “There is so much you can do, with minimal out-of-pocket costs—if you look at training unconventionally.”

For example, she says, if the object

of the training is to make sure that people acquire certain skills, there are other ways to provide the training—besides the use of expensive classroom time.

She remembers an example from an article she’d read about a company that wanted managers to have team-building training. Decision-makers passed over an expensive outdoor adventure program in favor of a volunteer program to help build a homeless shelter in the community.

By going through the process of building the structure together, the management team fulfilled all the aims of a team-building exercise—examining how team members worked together, what was successful, what wasn’t successful, and what the team could have done better. The managers applied all the same principles they would have used on the expensive adventure-learning trip. The biggest difference was that building the shelter didn’t cost anything except their time. ■

Madelyn R. Callahan, a free-lance writer based in Arlington, Virginia, covers training, education, and government affairs.

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