



Transforming Training Execution: Reducing Cost and Improving Performance

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Executive Summary

Do you know how much your company spends to deliver training to your employees? There is a very good chance that the figure would shock you. Let's assume you know how much you are spending; do you know if that number is yielding results? Too few executives have a good answer to this question.

Neither is an idle inquiry in these difficult times. Whether you lead training, human resources, operations, sales or finance, odds are that the costs you incur to deliver training are not only difficult to justify, they are preventing your training function from being a highly efficient and valued enterprise within your company.

Consider that within the average corporation today, training represents between .5 to 1% of revenues, according to industry analyst firm Training Industry, Inc.^[1] Nearly 50% of a typical training budget is spent on delivery and administration.^[2] And, while there has been an increase in the use of more efficient, technology-enabled learning over the past several years, instructor-led classroom training has actually *increased* each of the past three years.^[3]

Nearly 50% of a typical training budget is spent on delivery and administration.

High learning delivery costs represent a particularly acute problem within many industries, especially in technology-focused or enhanced fields where developing and maintaining the skill sets of highly specialized employees is a constant concern. In many cases, instructor-led training is used almost exclusively to fulfill learning and development needs despite the growing array of learning technology alternatives available. But companies seldom notice the "red flags" indicating excessive training delivery costs such as low utilization of instructors and classrooms, low class fill rates, and high administrative overhead.

The goal of this white paper is to help business and training executives fully understand the true impact of an inefficient training delivery operation, and the options available to achieve peak value. The paper identifies critical industry and market trends regarding training delivery within the current economic environment, and diagnoses the top challenges faced by leading global corporations related to training delivery. From this foundation, the paper outlines Intrepid Learning Solutions' best practice model for an optimized training delivery function. Lastly, the paper closes with a recommended three-step approach to assessing and transforming a learning organization in order to achieve optimal alignment, effectiveness and efficiency.

The High Costs of Inefficient Training

A recent study by the American Society for Training and Development (ASTD) and the Institute for Corporate Productivity (i4CP) reveals a growing concern among workforce training professionals and other executives about the high costs of delivering training.

With good reason. The numerous activities required to properly support the delivery of training are complicated and expensive, especially for large firms that maintain a wide variety of technical certifications among instructors, employees, partners and customers at far flung locations across the globe.

Those activities include recruiting and onboarding instructors, scheduling classes at multiple locations, instructor performance management, classroom facilities management and logistics, materials fulfillment, instruction, and measurement. Yet very few companies have any real perception of the costs involved in supporting these functions. As the economy forces organizations to slash travel budgets upwards of 50-70%, however, they are taking a closer look—business as usual is no longer an option.

Indeed, a priority for a CFO, or any business executive, during a recession is the reduction of fixed resources in non-core functional areas. It is logical for them to consider alternatives to fixed training expenses and to explore more efficient modes of training delivery.

According to recent research from ASTD and others, corporate training departments are aggressively reviewing their cost structures. A research report from ASTD and the Institute for Corporate Productivity (i4CP) revealed that nearly seven out of 10 training executives were examining their budgets as part of company-wide cost management initiatives. All said they were seeking ways to become more efficient at delivering training. More than half had restricted travel for learners, and cut investments in seminars and workshops.^[4]

Two major trends are emerging to reduce the substantial costs associated with training delivery. First, there is a clear effort to increase the percentage of training delivered via technology—virtual classrooms, self-paced e-learning, simulations and newer collaborative or “social” learning technologies. For example, ASTD and i4CP report that while 38% of organizations are actively shifting towards a greater use of e-learning and virtual delivery, nearly 60% of organizations believe that they should do more.

Second, many organizations are seeking to outsource instructor delivery, and related administrative support tasks. According to a study by Training Industry and Expertus in 2008, 29% of organizations are likely to outsource some or all of their training delivery.^[5] Further, Bersin & Associates report that the use of external instructors increased from 42% to 69% of large businesses between 2007 and 2008.^[6]

Finally, a related trend suggests that major corporations are not satisfied with current learning delivery cost models, and are willing to experiment with new approaches. ASTD and i4CP found that about 16% of respondents have begun pooling their learning-related resources (classrooms, instructors, etc.) with other organizations, but more than 39% felt they *should* be doing so.^[7] Organizations know they can do better, but they need help identifying new models and best practices to bridge the gap between opportunity and execution.

It is worth noting that these business and training concerns are part of a larger trend occurring within companies worldwide, namely, a growing priority to realign training’s mission to conform to strategic and business goals. “Expect to hear a lot of talk in the coming year about how to re-engineer the learning function,” predicts Training Industry, Inc. “Focus will be on moving from cost generating activities to activities whose impact on corporate performance exceeds their company’s cost of capital. This will drive a reduction in the total investment in training as a percentage of revenues as learning organizations search for the true impact of the dollars they are already spending.”^[8]

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Operational Challenges of Delivering Training

The fact that classroom instruction still comprises more than 60% of all workforce training is not hard to fathom. It is the right approach to achieve many learning objectives that require facilitation, hands-on activities, and application of new skills. Trainers typically deliver quality instruction and enjoy high credibility. They are often leaders within the company, and have longstanding relationships with line-of-business executives.

But research from Intrepid Learning Solutions reveals challenges to prevailing training delivery models. During fall 2008, Intrepid interviewed top learning executives at leading global companies to better understand the pain points related to learning delivery. These interviews revealed a series of challenges, summarized as follows:

- **Efficiency.** Low utilization of instructors and classrooms wastes money, as do the many redundant expenditures created by the use of decentralized learning delivery models. Such inefficiencies are the leading cause of runaway training costs that can no longer be justified.
- **Scalability.** Most training organizations are not organized to scale to meet fluctuating demands for their services. Because most rely on fixed-cost resources, when demands change (up or down), they are stuck with costs that are either too high, or they do not have an effective means of meeting growing demands—both issues are a real problem.
- **Global Capacity.** Training organizations are especially strained to meet the multiple challenges of entering new markets. Specific concerns include instructor sourcing, quality assurance, classroom and materials logistics, localization and cultural competence. The general challenge expressed, however, is more comprehensive—what is the right model for launching training in a new market?
- **Operations.** A chronic pain point for most learning organizations involves the tasks of accurately forecasting demand, budgeting and other operations duties. The perennial challenge of understanding internal and external client demands should not be underestimated. Even for the most sophisticated customer-facing learning businesses, this can be a very difficult process.
- **Technology.** Although most organizations have experience working with technology-enabled learning, most believe they can do more. Given the forcing function of travel budget eliminations, many organizations are focused on increasing their virtual classroom events. Effectively shifting from classroom instruction to virtual instructor-led training, self-paced e-learning, and other technology-enabled learning approaches requires guidance and support from qualified experts.
- **Strategic Alignment.** Training delivery may not be aligned to a company's business goals because an enterprise learning strategy doesn't exist. Nor has an adequate assessment of a learning organization been conducted to baseline performance, identify opportunities for improvement, and determine potential solutions.

What a Best Practice Delivery Model Looks Like

A best practice delivery model, while concerned with efficiency, is designed to drive business results through enhanced performance. From the Intrepid point of view, a best practice for learning delivery can be characterized as follows:



Strategically Aligned

- Learning programs have been selected according to a process that systematically determines organizational priorities and investment capacity. Typically this leverages a well-defined enterprise learning governance model.
- Processes and systems are in place to regularly forecast training volumes and allocate resources accordingly.

Client Focused

- Learning delivery operations is highly responsive to client needs, and balances long-term planning and forecasting with the need to be agile and flexible to respond to dynamic stakeholder requirements. In planning and execution, provides strong communication to business partners.
- Measurement of end user and stakeholder satisfaction with services provided is systematic and comprehensive.

Technology Enabled

- Learning technology delivery mix reflects best practice for an organization’s industry, company size, learner population, and business focus (e.g., compliance, sales, customer service, leadership, etc.).
- Objective criteria are established and followed to determine the optimum learning delivery modality based on learning requirements for instructor facilitation, feedback and interactivity, scalability, and content stability, as well as critical business requirements such as technology and budget constraints.
- Underlying systems and processes that support learning administration are automated through best-in-class technologies.

Operationally Efficient

- Key performance indicators are measured, reported, and optimized. The most critical KPI’s include instructor utilization, class fill-rate, class cancellation rate, classroom utilization, and administrative overhead cost per delivery hour.

Scalable

- Learning delivery capacity is capable of flexing up or down to meet dynamic client demands. The mix of internal and external instructors is optimized to meet demands of flexibility, agility, expertise, and cost.
- Plan and partnerships are in place to expand operations into growth areas—new countries, regions, etc.

Intrepid's Three-Step Process

As we have discussed, learning delivery is a complicated process. It involves a daunting array of moving pieces, technologies, people, processes, and stakeholders who are often spread across the globe, embedded in different business units, and supported by a variety of disconnected funding sources.

How can executives wrap their arms around these disparate operations in order to understand how to increase alignment, reduce costs and drive change? Intrepid Learning Solutions has answers. Through its experience as an expert learning consultancy, and as an outsourced operator of learning delivery for major global corporations, Intrepid has developed a three-step process that enables any organization to fully identify and meet its training delivery challenges:

- **Assess Current State.** Executives must first assess the current state of their learning operation. An accurate "scorecard" benchmarked against industry best practice will invariably reveal problems that executives have not considered, such as inefficient utilization of instructors and classrooms, low course fill-rates, high course cancellation rates, or unnecessarily high administrative overhead costs.
- **Model Business Impact.** After determining their organization's strengths and weaknesses, an executive needs to understand the impact of potential changes. What would the cost impact be if instructor utilization were increased 20%, or class sizes were increased similarly? Business and training leaders can easily model the financial impact of these and similar changes.
- **Develop Transformation Plans.** Having answered the twin questions of "what's not working and why does it matter," executives can then focus on identifying solutions to close operational performance gaps, reduce costs, and improve quality.

Let us help you meet the training execution and delivery challenges within your company. We begin with a "mini-survey" that helps you identify your primary needs and prioritize your cost reduction and transformation efforts on the areas of greatest import.

For more information on our survey, and to schedule a call with an Intrepid consultant, please contact info@intrepidls.com, or dial 877-866-4457.

About the Author

Sam Herring is Co-Founder of Intrepid Learning Solutions and leads the company's consulting, market development and major account management operations.

Sam is a member of ASTD's Board of Directors, and is recognized as a "Who's Who" training industry thought leader by TrainingOutsourcing.com. He is immediate past-chairman of the ASTD Board of Directors Selection Committee, and is a past advisory committee member of ASTD and TechLearn conferences. Sam is a frequent speaker at leading industry conferences and seminars and universities, where he speaks on topics including designing effective corporate learning strategies, trends in learning technology, and best practices in vendor selection and outsourcing.

Sam holds a Master's degree from Harvard University, where he studied ethics, religion and public policy, and a Bachelor's degree in history from Yale University. In 2008, he was recognized as a leading business leader through the Puget Sound Business Journal's "40 Under 40" awards. He is a director of New Futures, a Seattle area children and family services agency.

Footnotes

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About Intrepid Learning Solutions

Intrepid is a dedicated provider of award-winning, leading-edge learning solutions to businesses worldwide. Since 1999, Intrepid has been helping companies across multiple industries develop dynamic education and training programs that drive business performance.

In addition to consulting, technology and managed learning services, Intrepid offers packaged holistic learning solutions that can be rapidly tailored to support the individual preferences of learners, as well as broader business goals. Offering the benefits of faster start-up times and lower costs, Intrepid's solutions adapt to support your company's unique culture and priorities.

Intrepid has been named as one of the industry's top learning providers by both TrainingIndustry.com and HRO Today. For more information about Intrepid, visit www.intrepidls.com.



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