# *Seven Things to Do Now to Protect Your L&D Budget*

Patti P. Phillips, Ph.D., CEO, ROI Institute, Inc.
Jack J. Phillips, Ph.D., Chairman, ROI Institute, Inc.

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## Objectives

After attending this program, participants should be able to :

- Explain factors that influence budgeting.
- Identify parts of L&D at most risk for experiencing a budget reduction.
- Describe ways to influence budgets.
- Explain why leaders should increase the L&D budget in a recession.
- Implement at least seven actions to enhance or protect the budget.

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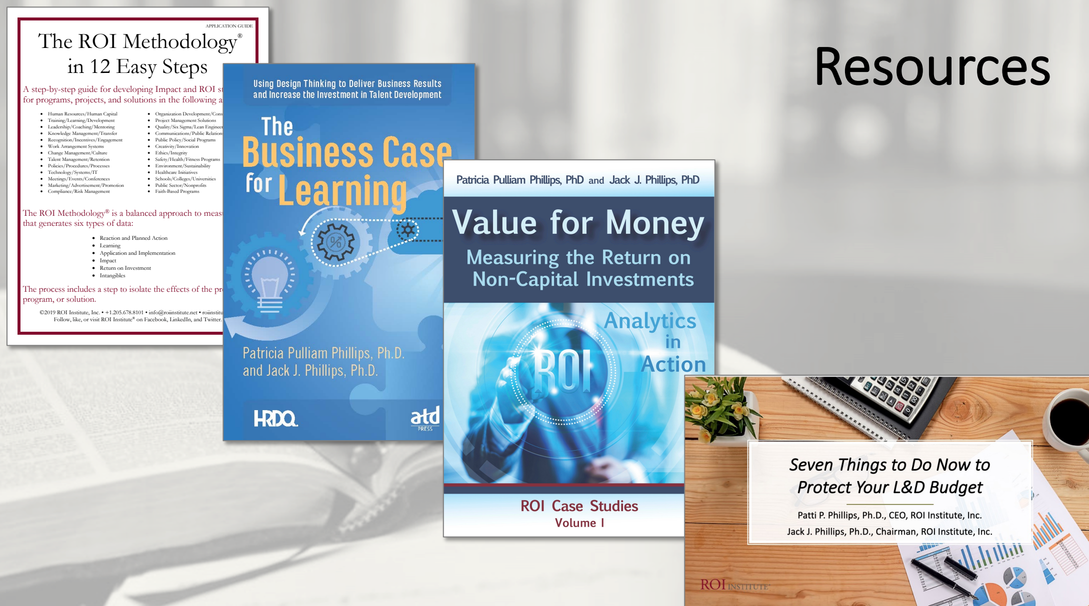
# Resources

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# Why are you interested in this issue now?

A. My budget has been cut. I'm expecting more.
B. I'm facing budget cuts now.
C. I have pressure to justify my budget. I need to pursue this.
D. I know I will need to demonstrate more value in the future.
E. I want to show increased accountability for our expenditures.

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# Market Anxiety

A recession discussion creates anxiety in the economy. Executives react as if a recession is imminent.

- Cutting budgets
- Delaying projects
- Deferring expenses
- Reducing staff (People are the largest cost)

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# Layoffs and Freezes are Here

*The Wall Street Journal* reported on November 4, 2022:

- Twitter reduces staff by over 3000
- Meta cutting staff by 10%
- Warner Brothers cut staff by 1000
- Amazon freezes hiring
- Lyft cut 700 jobs
- Stripe cuts 14% of staff
- Google requiring some employees to apply for new jobs to remain with company

***That's just one day.***

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# The Value Chain

| | LEVEL | ISSUE | MEASURES | TARGETS |
|---|---|---|---|---|
| This is easy<br>Always measured | 0 | Inputs | Volume, Hours, Convenience, Cost | 100% |
| This is easy<br>Almost always measured | 1 | Reaction | *Relevance, Engaging, *Important, Useful, *New Content, *Intent to Use, *Recommend to Others | 100% |
| Not difficult<br>Usually measured | 2 | Learning | Concepts, Trends, Facts, Contacts, Skills, Competencies | 90% |
| Possible<br>Often measured | 3 | Application | Use of content, Frequency of Use, Success with Use, Barriers, Enablers | 30% |
| Not so difficult to connect<br>Sometimes measured | 4 | Impact | Productivity, Time, Quality, Costs, Image, Reputation, Engagement, Compliance | 10% |
| Possible for many programs<br>Rarely measured | 5 | ROI | Benefit Cost Ratio or Return on Investment, Expressed as a Percent | 5% |

*Can predict

Executives prefer

Must take a step to isolate the effects

*Best Practice: Percent of Programs Evaluated at this level each year.

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# L&D Dilemma

Learning is the best solution…

- When there is a problem, L&D is the requested solution to fix the problem.

Learning is the first to go…

- When an organization's budget is reduced, L&D is usually the first cut.

***Why does this happen?***

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# Here's Why: Serious Performance Challenges

**True or False?**

1. Most of learning and development is wasted (not used).
2. The learning outcome desired by executives in client organizations is rarely measured.
3. Most learning providers do not have data showing they make a difference in the organization.
4. Most executives see learning as a cost and not an investment.
5. Most executives view hard skills more valuable than soft skills.

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# Here's Why: What CEOs Want

**ROI Institute and ATD research** show that the data CEOs receive are not demonstrating what they want out of their talent investment. (N=96)

| Measures | Currently Measure | Should Measure | Importance |
|---|---|---|---|
| Inputs and Indicators | 94% | 86% | 6 |
| Efficiency | 78% | 82% | 7 |
| Reaction | 53% | 22% | 8 |
| Learning | 32% | 28% | 5 |
| Application | 11% | 61% | 4 |
| Impact | 8% | 96% | 1 |
| ROI | 4% | 74% | 2 |
| Awards | 40% | 44% | 3 |

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# Here's Why: Costs Versus Investment Perception Reality

**Executive Perception of Programs**

| Perception | Actions | Consequences |
|---|---|---|
| It's a cost | • Control it<br>• Reduce it<br>• Eliminate it | • Partnerships are rare<br>• Influence diminishes<br>• Support is lost<br>• Funding is curtailed |
| It's an investment | • Maintain it<br>• Enhance it<br>• Protect it | • Business partnerships flourish<br>• Client relationships improve<br>• A seat at the table is earned<br>• Funding is easier |

1. Do your executives see your work as a cost or an investment?
2. If it is perceived as an investment, how did they reach that conclusion?
3. If it is seen as a cost, what will you do to convince them that it is an investment?

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## Strategy #1: Align Your Programs to the Business

- New programs
- Current programs

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## Business Alignment with New Programs

**Start with Why**

- Business alignment is the issue.
- Is it a problem or an opportunity?
- It should be a specific business need.

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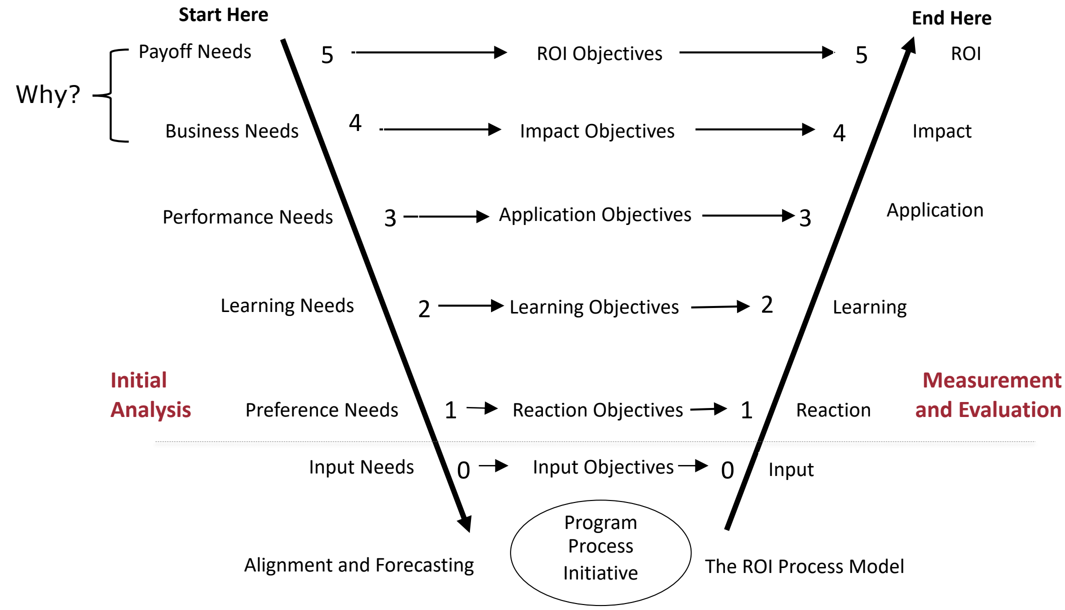
# Alignment Model

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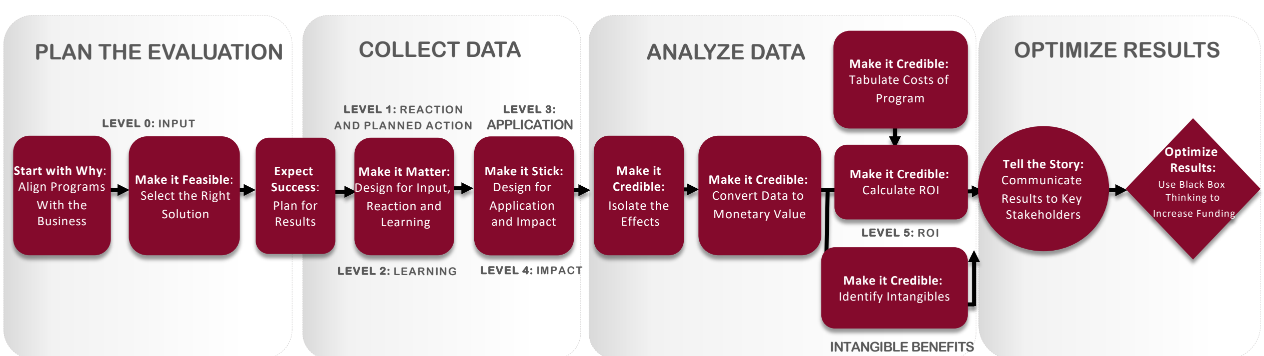
# The ROI Methodology Process Model

Designing for the Delivery of Business Results



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# Executive-Friendly Feedback

## Very Executive-Friendly

- This program was relevant to me.
- This program is important to my success.
- I will use the concepts in my work.
- I will recommend this to others.
- This will help our organization.

## Not Executive-Friendly

- I'm happy with this program.
- I'm satisfied, overall.
- The facilitator was great.
- The learning environment was great.
- This was easy.
- This was difficult.
- I love the food.
- Great program.

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# Business Alignment with Current Programs

To what extent will or did this program influence these key measures:

- Productivity
- Quality of work
- My job satisfaction
- My engagement
- Efficiency
- Cost control
- Compliance
- Sales
- Customer satisfaction

Five-Point Scale:

1. No influence
2. Some influence
3. Moderate influence
4. Significant influence
5. Very significant influence

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## Strategy #2: During a Recession, the L&D Budget Should Be Increased

Arguments:

- Our best skills are needed to face the challenges.
- Some employees will take on new responsibilities from displaced employees.
- High-performance teams are needed.
- Employees need to do more with less.
- Great leaders are needed.
- Resiliency is needed.

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## Strategy #3: Identify High-risk Programs

These programs typically are targets for budget cutting:

- Expensive programs
- Soft skills programs
- Those with a long-term focus
- Those that can easily be postponed.

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# Factors Influencing Budget Approval

- Environment
- Comparisons
- Necessity
- Reputation
- Supporters


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# Strategy #4: Rally the Supporters

Using the Supporters:

- Budget decisions are not made alone.
- Key executives' influence can be powerful.
- Ask influencers for support with specific requests.
- Call in all the favors.

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## Strategy #5: Collect Impact Data

Urgent Data Collection:

- If there's an urgent need, go to the programs that are more important and have some obvious impacts.
- Collect some impromptu data about the value of the program and the financial impact.
- Collect testimonials.

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## Work the Value Chain in Budget Pitch

- Reaction
- Learning
- Application
- Impact
- ROI

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## Strategy #6: Buy Some Time

As a Last Resort:

- Ask for more time to tackle many of the issues outlined here.
- Most executives will give small amounts of time to address the issue.
- Be prepared to make some recommendations for cutting if it's imminent.

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## Strategy #7: Learn How to Forecast

Rationale for a Forecast:

- Because budgets are cut, extra funds are not available.
- Securing budgets for a new program may require a credible ROI forecast.
- Essentially, this program is a good business decision because it's delivering more value than it costs.
- A forecast must be credible.
- A forecast would be followed by a follow-up evaluation which must be larger.

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## Pre-Program Forecasting Model

Estimate Program Costs

Anticipate the Reaction to the Program → Estimate the Amount of Learning to Make the Program Successful → Estimate Application- the Steps and Actions to Make the Program Successful → Estimate Change in Impact Data → Convert Data to Monetary Values → Calculate the Return on Investment

Anticipate Intangible Benefits


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## Input to Forecast

- Previous experience with same or similar programs
- Suppliers/Designers experience in other situations
- Estimates from suppliers/designers
- Estimates from SMEs
- Estimate from clients/sponsors
- Estimates from target participants


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1. Develop Level 3 and 4 objectives with as many specifics as possible.
2. Estimate/Forecast monthly improvement in Level 4 data ($\Delta P$).
3. Convert Level 4 measure to monetary value (V).
4. Develop the estimated annual impact for each measure ($\Delta P x V x 12$).
5. Estimate fully loaded program costs.
6. Calculate the forecasted ROI using the total projected benefits and costs.
7. Use sensitivity analysis to develop several potential ROI values with different levels of improvement ($\Delta P$).
8. Identify potential intangible benefits.
9. Communicate analysis with caution.

# Steps for Pre-Program ROI Forecast

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## ROI with Level 1 Data

1. What knowledge or skills have been improved?
2. What actions are planned with the improved knowledge and skills?
3. Which measures will be influenced?
4. What impact, in monetary value, will this improvement have in the work unit?
5. What is the basis for this estimate?
6. What level of confidence do you place on this estimate?

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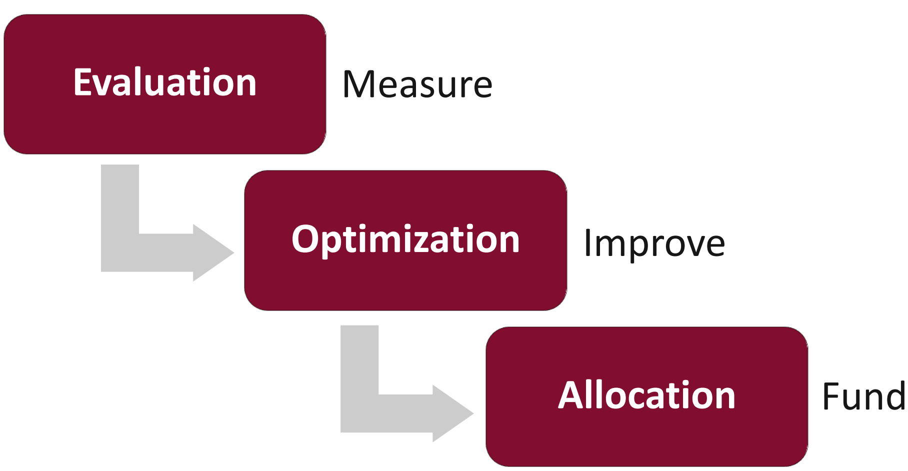
## Process Improvement is the Key: Black Box Thinking

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# Be Proactive

Remember, when it comes to delivering results from learning and talent development:

- Hope is not a strategy.
- Luck is not a factor.
- Doing nothing is not an option.

**Change is inevitable.**
**Progress is optional.**

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# The Payoff

- Justify/defend budgets.
- Align projects to business needs.
- Show contributions of selected projects.
- Earn respect of senior management/administrators.
- Build staff morale.
- Improve support for projects.
- Enhance design and implementation processes.
- Identify inefficient projects that need to be redesigned or eliminated.
- Identify successful projects that can be implemented in other areas.
- Earn a “seat at the table”.

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CLICK HERE or scan the QR code to access the resources from today's session.

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www.roiinstitute.net

## Email Us

Patti@roiinstitute.net
Jack@roiinstitute.net

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