

The Business Leader's Bottom Line

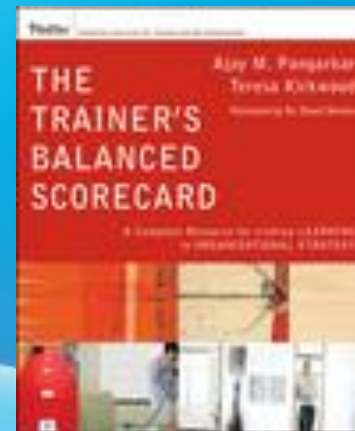
Aligning Learning with Organizational Needs

Presenter: Ajay M. Pangarkar, CTDP, CPA, CMA

Based Upon the Book

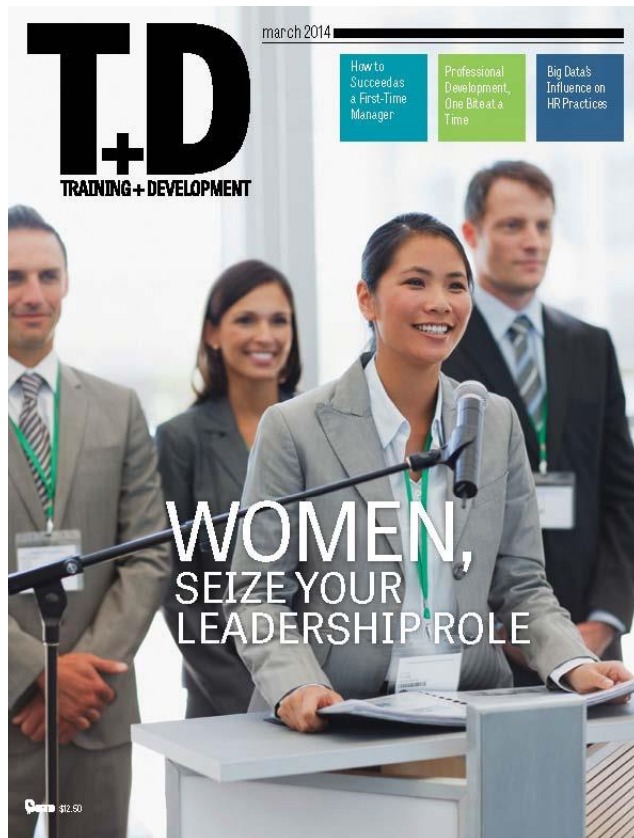
The Trainer's Balanced Scorecard:

A Complete Resource for Linking Learning
to Organizational Strategy





Paula Ketter
Editor
T+D

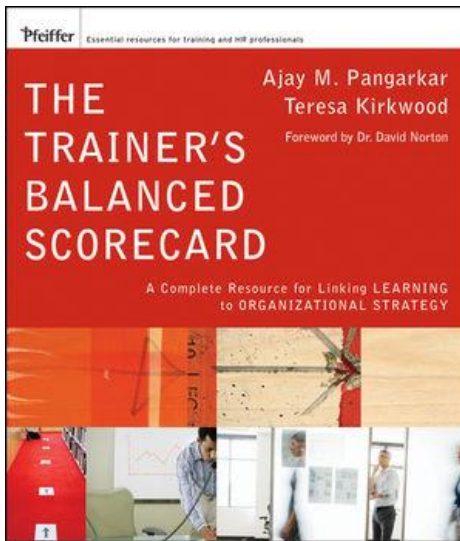


A Bonus *T+D* Webcast



Ajay
(pronounced “Ah-jay”)
Pangarkar

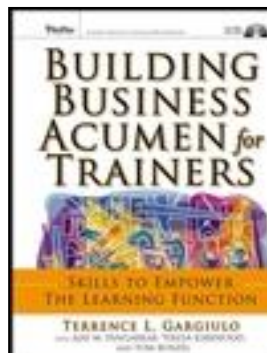
This session is based on:



The Trainer's Balanced Scorecard: A Complete Resource for Linking Learning to Organizational Strategy

Ajay M. Pangarkar, Teresa Kirkwood

Published by Wiley



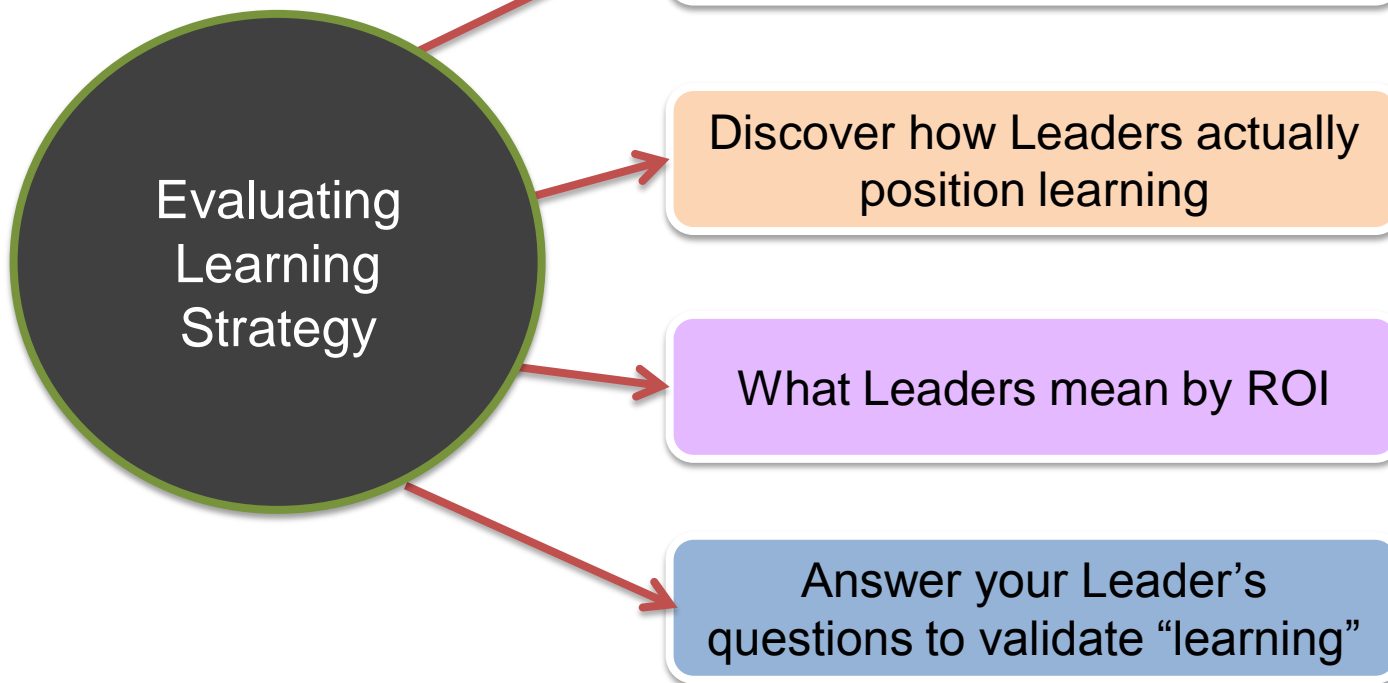
Building Business Acumen for Trainers:

Skills to Empower the Learning Function (with CD)

Published by Wiley

Terrence Gargiulo, Ajay M. Pangarkar, Teresa Kirkwood

Learning Objectives:



A Quick Question...

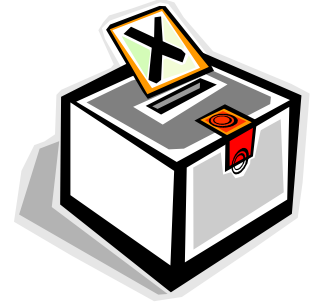


How do your
business-leaders
view...
“Training”?

A Quick Poll...

Do Business Leaders view “training” as:

- A. An essential need?
- B. A non-essential expense?
- C. A “nice-to-have”?
- D. Something to appease employees/unions?
- E. Other reasons...?**





Business Leader Secret #1

Nothing in business is an absolute need

- View everything through a business lens
- Viability and validity is through operational alignment
- Demonstrate tangible performance benefits

Business Leader Secret #2

Business leaders are sold on training

- The real questions:
 - Does it make economic/business sense?
 - Will present tangible benefits?





Business Leader Secret #3

Workplace learning's role remains precarious

Business leaders acknowledge that:

- Employee and intellectual capital retention is paramount
- Competitive advantage comes through people
- Workplace learning/HR must play a more strategic role

Leadership Secrets



Business Leader Secret #4

Never take your role for granted!

If your leaders ask you to participate in decision-making processes they're clearly stating:

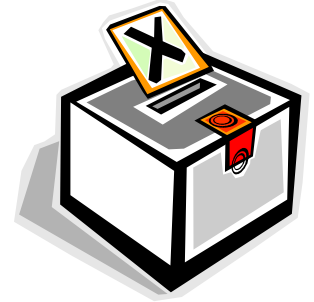
"Sell us on what training will do for the organization"

...In terms leaders understand"

A Quick Poll...

What are your challenges to gaining support?

- A. Organizational apathy and indifference
- B. Getting noticed by or involving the right people
- C. Lack of financial or other resources
- D. Perceived as “costing too much!” / “waste of money”
- E. Can’t effectively communicate it’s purpose/results
- F. Other reasons...?**



Management views training in 3 ways:

1. Necessary, expected training
(e.g. job training and development)

2. Measuring impact of major investments
(e.g. “training” as a component)

3. Investing in major elements of training
(e.g. e-learning infrastructure)

Send me a note for :

**“The Business
Leader’s Bottom
Line”**

article for sample
Level 3, 4 Questions

How do your
business-leaders
define...

“Investment”?

- Tangible purchases/assets
- Measurable financial return
- Long term business growth
- You got me...No Idea!



How Leaders view your "training" investments:

Physical assets
(e.g. buildings/machinery)

→ Does your "training" have any tangible investments?

Intangible assets
(e.g. patents, goodwill)

→ Does the "training" contribute to long-term value or the organization?

"Long-term" portion of
balance sheet (valuation)

→ Does management consider "training" as a capitalized investments?

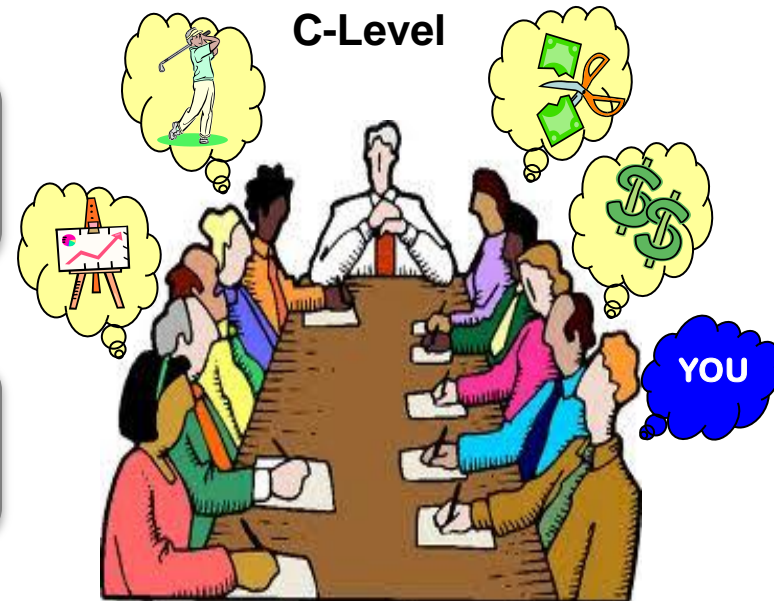
Leader's View of "Investment"

Think of a recent example...

Management considers training as...?
(e.g. job training and development)

Is it part of a major
investments/contribution?
(e.g. training a component)

Are major investments required?
(e.g. e-learning infrastructure)



What's another big issue Leaders have?

"Training ROI"

- Cost of doing it
- Deciding on what to measure
- The ROI results
- Still no clue



Leader's View of "ROI"

What it's used for...

"Quick and Dirty" method;
used as "gut" feeling

Values investments not
"disguised" expenses

Other methods available
(CVP, NPV, IRR, MIRR, EVA, etc.)

Time sensitive projects
(Typically 1 year or less)

Considers "investments" as
tangible capital assets

Measures the "gains" and
"efficiency" of an investment

“Training ROI” Credibility



95% of training not evaluated

If so, then how are the remaining **95%** evaluated?

Training ROI states to evaluate only **5%** of training efforts

5% training evaluated

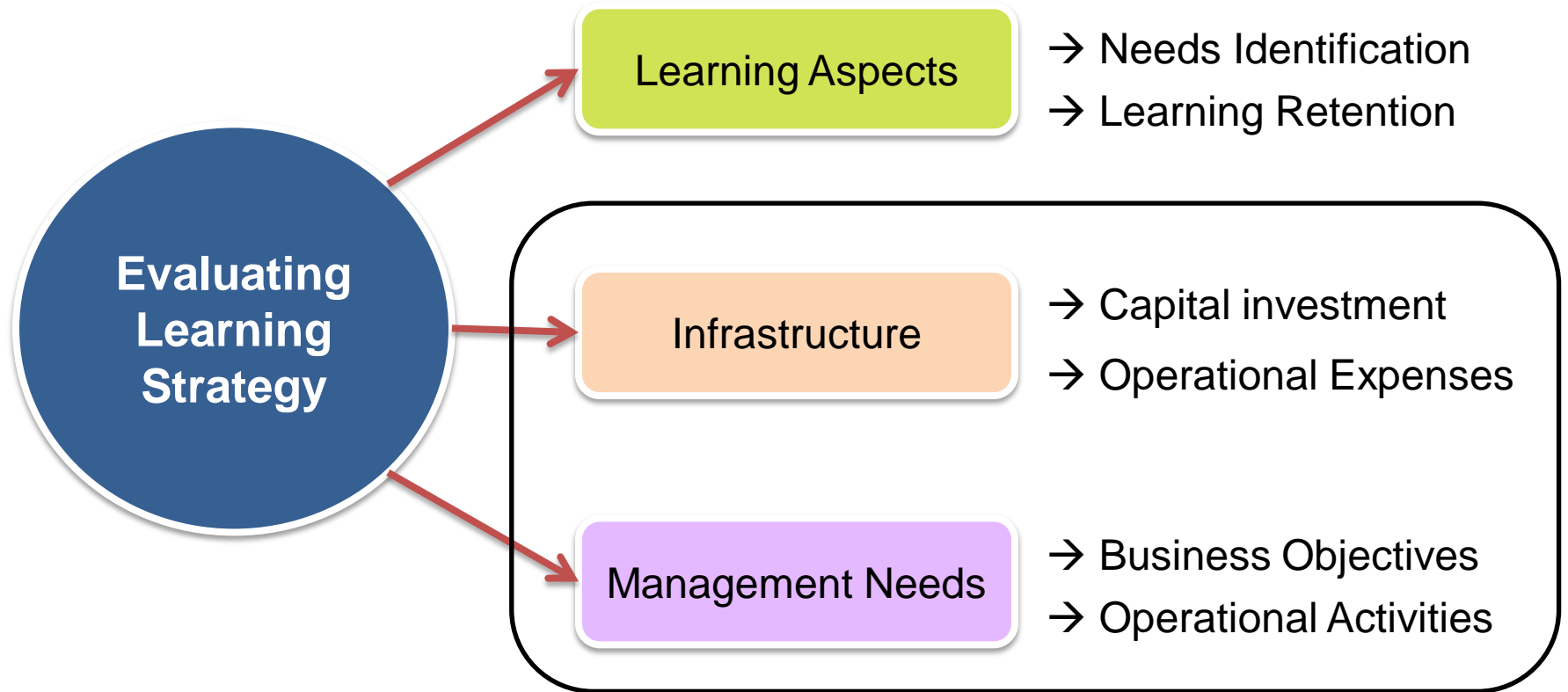
Because costs exceed benefit



**This is where
it gets a little...**

Tricky!!!

STA?



Here's where it may
get a little more...

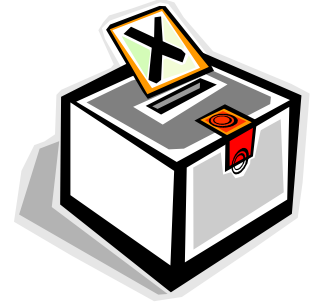
Confusing?!



A Quick Poll...

Do your leaders expect “learning” budget allocations to demonstrate:

- A tangible financial return (\$1 in < \$1 out)
- Improved financial performance among departments
- Targeted qualitative performance improvement
- Not sure what they expect from learning!



Leadership Decision Tools

```
graph LR; A((Return on Investment Evaluation)) --> B[Cost-Volume-Profit (CVP)]; A --> C[Net Present Value (NPV)];
```

Return on Investment Evaluation

Cost-Volume-Profit (CVP)

Analyzes changes in costs

- Cost/volume affect on profitability
- Activity level to achieve profit

Net Present Value (NPV)

Analyzes project profitability

- “Learning” contribution to major projects
- Assess learning infrastructure investment

CVP E-Learning Decision

Revenues

Variable Costs

Let's work through
an example...

Fixed Costs

Operating Income

E/M-learning increases fixed costs

To leaders this means:

- Increase revenue (units sold)
- Reduce variable costs

Question to ask:

What extent will e-learning
contribute to production/profit?

E-Learning Example

FinaX Inc. sells AccountX Software

- Selling 4000 units for \$200/each
- Variable cost: \$120 each unit
- Current fixed costs: \$200,000

- E-learning is a fixed cost
- New E-learning course: \$60,000
- Post course sales incr.: 700 units

Management's question:

**Should we spend
\$60,000 for e-learning?**

E-Learning Example

	4000 units NO e-learning (1)	4700 units w/ e-learning (2)	Difference (2) – (1) = (3)
Revenues	\$800,000 (\$200 x 4000)	\$940,000 (\$200 x 4700)	\$140,000 (\$200 x 700)
— Variable Costs	\$480,000 (\$120 x 4000)	\$564,000 (\$120 x 4700)	\$84,000 (\$120 x 700)
Contribution Margin	\$320,000 (\$80 x 4000)	\$376,000 (\$80 x 4700)	\$56,000 (\$80 x 1000)
— Fixed Costs	Now, what decision would your leader take?		\$60,000
Operating Income	\$120,000	\$116,000	(\$4,000)

Management wants to see business impact!

(Kirkpatrick level 4)!

Yes, but Ajay...

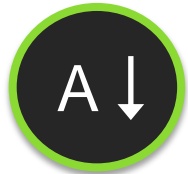
How do we
do this?





Resistance → *“What will this cost us?”*

Level 3-4



Apathy → *“What will this do for us?”*

Level 4



Disruptions → *“Why now?”*

Level 4



Application → *“What difference will it make?”*

Level 3-4



Results → *“What will it do for the business?”*

Level 4

STA?

Know your audience

Recognize who to approach and why...

	R ↓	A ↓	D ↓	A ↑	R ↑
Senior Leaders	✓	✓	✓	✓	✓
Mid-level/BU Managers	✓	✓	✓	✓	✓
Employees/ Users	✓	✓	✓	✓	✓

Building Learning Acceptance

STA?

“What do I get if I give you the money?”

Financial Results



R↓

“What are the tangible benefits/results?”

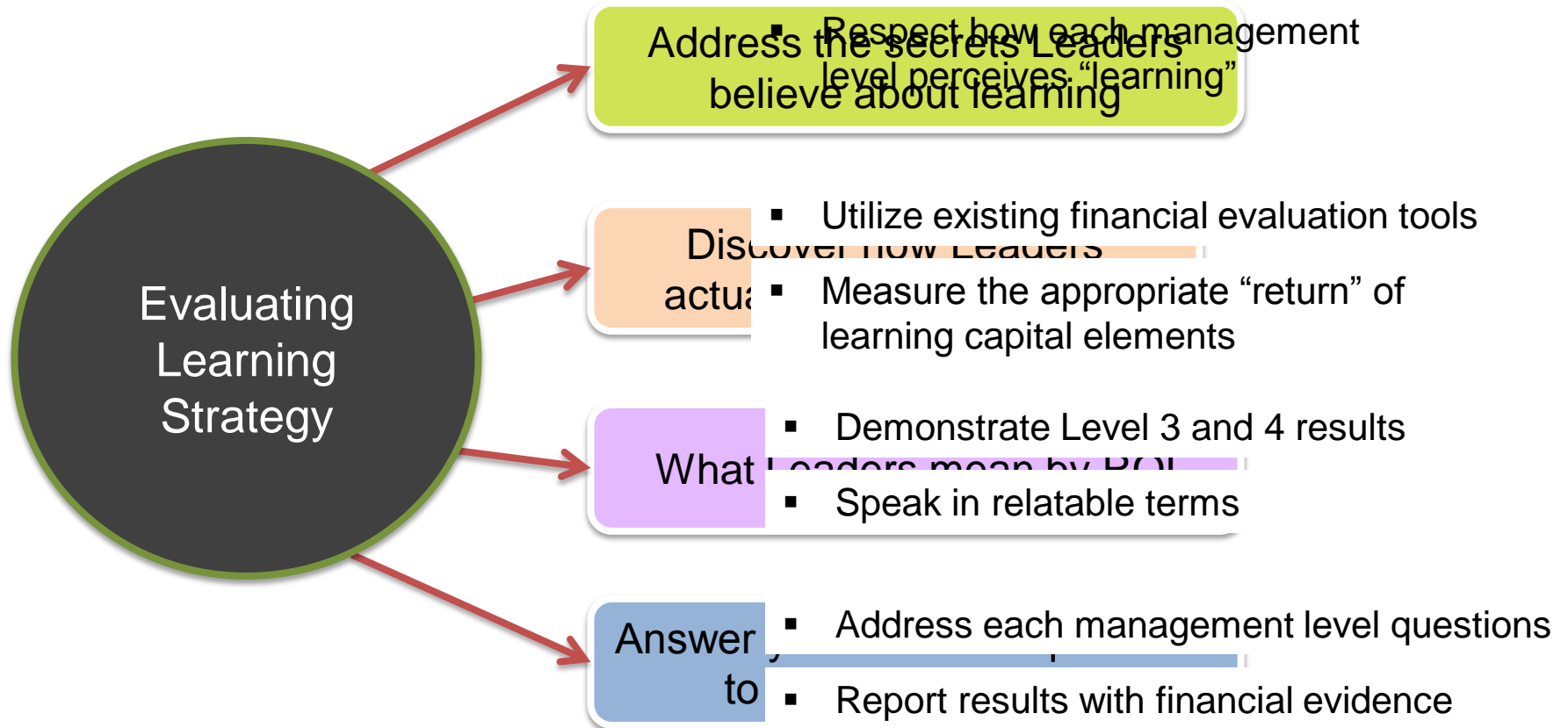
Performance Results
(non-financial)



R↑

Review of Objectives

Learning Objectives:



TrainingIndustry.com

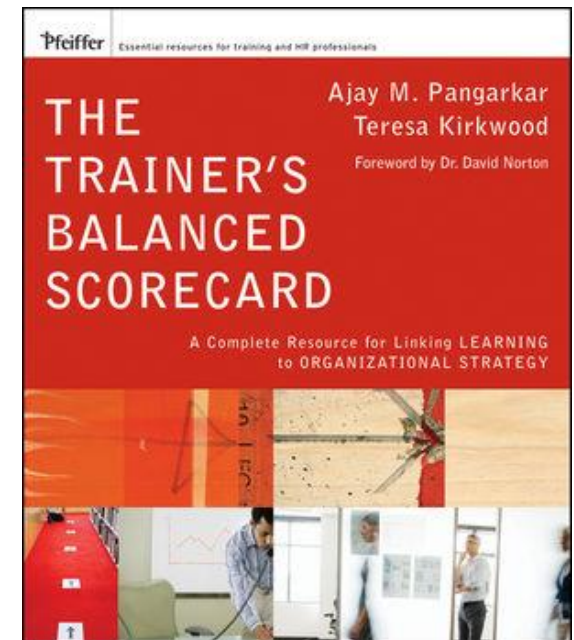
- **The Business Leaders Bottom Line:**
Aligning Learning With Organizational Needs
- **Building Strategic Learning Linkages:**
Mapping & Measuring Your Learning Strategy
(Nominated 2014 TI Editors' & Readership Awards)
- **Return on Expectations:**
7 Critical Flaws that Undermine Training Effectiveness

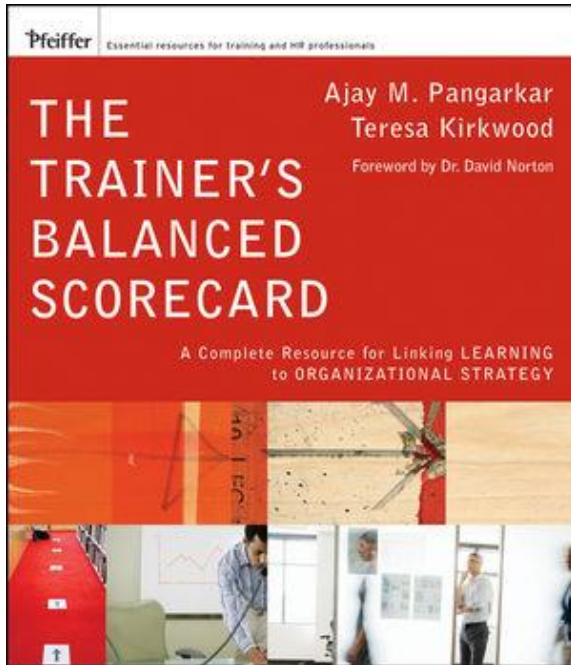
ASTD Links:

- **Learning From Mandela:**
What 27-Years in Prison Teaches Learning Professionals

My Blog...Let's Start a

"Workforce Revolution!"
Blog.centralknowledge.com





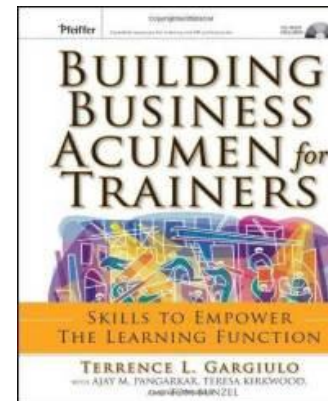
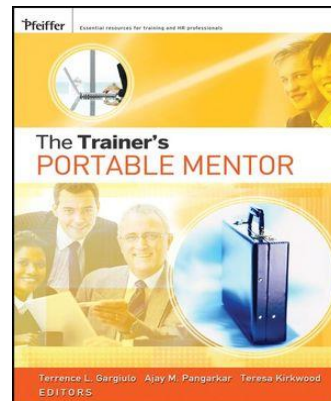
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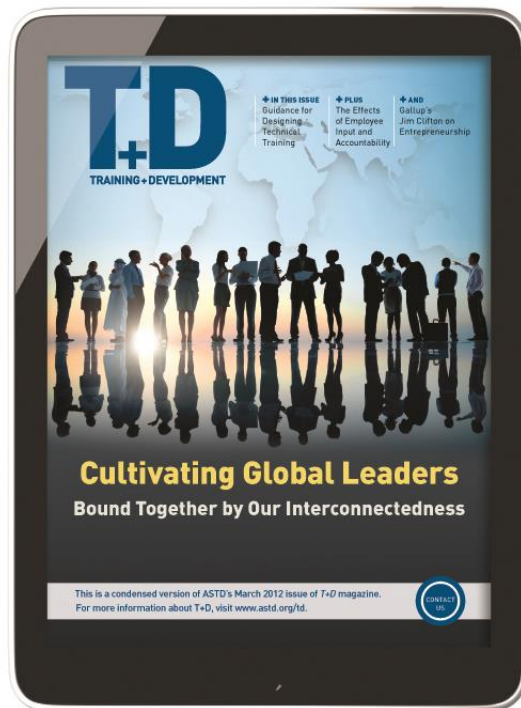
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