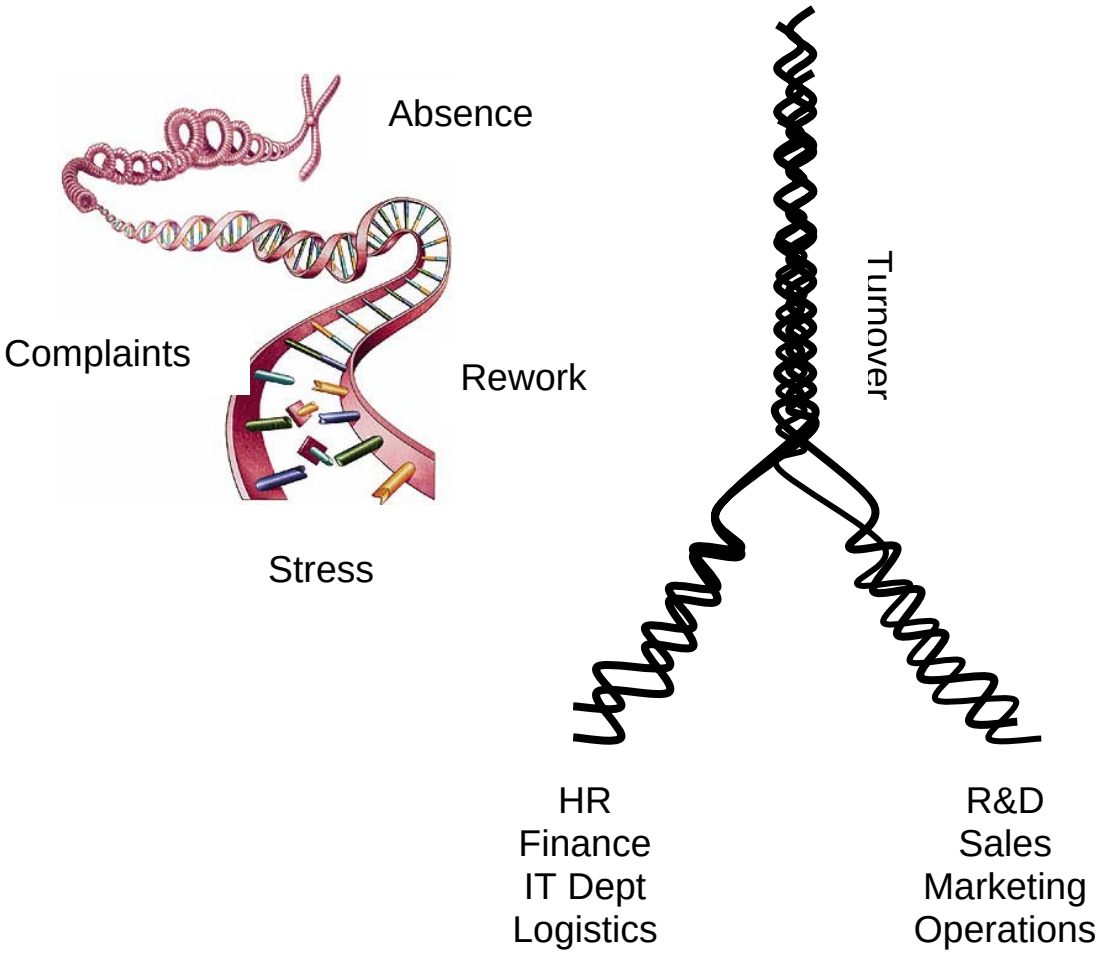
***D**evelopment **N**eeds **A**nalysis*

Creating a “Self Funding” Development Strategy



A Discussion Paper for Senior Management

Will Doherty
MBA.MA HRM.PG Dip PM Cert Ed.
Chartered MCIPD MIMC
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About the Author:

Will Doherty is a Senior HRD - TNA Consultant with project experience gained from many large organisations including JCI Gold Mining - South Africa, Royal Hong Kong Police, Gtr Manchester Police, British Red Cross, BSkyB, Wedgwood, Oracle, GE, Vodafone, Shell Expro, Hilti. He is also a CIPD Lecturer in L&D.

For FREE advice give him a call on : 07795677520 so he can help you further and If you would like a copy of his new paper – “How to Set up a Leadership Programme”. E.mail him at William.doherty@ntlworld.com

Introduction

A difficult question for any HR team to answer is how much money has been spent on Learning and Development and what "measured" added value or financial return has this investment brought to the business.

This paper aims to help Chief Executives and Senior HR Managers create a corporate development strategy that does what it says on the tin :
It develops the company at a cost that is recovered from the added value it creates.

Rather than see HR as the strategic partner working with line management the paper recommends the L&D function becomes more integrated and connected to the strategic objectives of the business by taking ownership for achieving set targets to increase the efficiency and effectiveness throughout the value chain. This paper will ask challenging questions and provide some new ideas, guidelines and templates which can be adapted.

Q : Does the L&D Department really understand the business, the corporate processes, metrics and drivers ? (Appendix E).

Q : How does L&D diagnose the corporate development need ?

Q : What involvement and engagement does the supplier have with key stakeholders analysing needs before the development takes place ?

Q : What should we expect a development workshop to do for the business ?

Q : What are the contractual guarantees you should insist on before spending any corporate funds on L&D ?

Q : Who / how should the development workshop be evaluated ?

DNA : The Building Blocks of Human Life

All human beings are unique – our individuality originates in our genetic code or DNA molecules *(deoxyribonucleic acid*). The DNA code or data accounts for all the physical characteristics and mental attributes seen in a person. Each piece of code has a purpose and has an impact on the overall performance, ability and physical attributes of a human being.

Business DNA.

Business is a dynamic process, like DNA it is a series of sequential activities that work interdependently and independently. For an activity to happen it requires effort and energy. The amount of effort varies according to the process concerned, the industry, scale of operation, sophistication and investment. The basic premise for all processes is that there is an input and an output – i.e. a start and a finish state.

Like human DNA the process performance is dependent on variables that can be measured and managed - These are the change levers eg : Volume in , labour costs, skill levels, materials, quality control , complexity, time, resources Etc etc. The final sum and measure how efficient and effective all the processes are is published in the annual reports and set of accounts.

If you want Learning and Development to develop and improve the profitability of a business then the focus must be on increase either the operating effectiveness or efficiency of the operation.

Process Check List :

Q : What are the key processes ? Can they be more efficient / effective ?

Q : Have the processes been mapped out for all to see ?

Q : Do all the staff understand the team / individual responsibility ?

Q : What data sits in your processes ?

Q : What is the measured current and optimum process output level ?

Q : What are the change levers ? (Appendix A,B)

Q : What is an appropriate development programme. (Appendix D).

Q : How will the process be measured after the development ? (Appendix E)

Q : What is the development ROI and added value to the business ?

Making your business more "Efficient" and "Effective" :

According to science the efficiency of a machine is defined as the ratio of output energy to the input energy expressed as a percentage. – according to the Chartered Management Institute (CMI) efficiency is :

"The same level of output of the same level of quality at lower cost or more output and / or output of higher quality for the same cost.

Q : Can your managers create a strategy to reduce their cost base by 5% ?

The CMI defines the effectiveness of a business is the amount of sustainable change and improvement achieved and measured and the % attainment of planned Objectives." (Check how SMART are your managers objectives).

Q : How much more effective and efficient do they want the business to be ?

Business Metrics

According to Phelps (2004) the right metrics are those that support the three pillars of management action – the COT principle :

- ⇒ Clarity – set clear aims and reward progress
- ⇒ Objectivity – Understand the levers that really drive value creation.
- ⇒ Teamwork – get everyone pulling in the same direction.

His rationale is based on the premise that “You cannot measure value creation for a business without knowing what sort of value you want to create.”

Business metrics focus attention on the levers that drive performance and the core strategy. They assess and reward value creation and they come from an analysis and understanding of what the organisation needs. (See appendix for sample metrics).

- ⇒ Agree and define key goals for the business (no more than 10).
- ⇒ Attach a metric to each strategic goal.
- ⇒ Create an activity map linking all the processes – showing how they inter-relate and inter depend on each other.
- ⇒ Highlight the specific drivers that impact on the process output.
- ⇒ Identify the levers i.e behaviours, skills that influence key metrics.
- ⇒ Measure current output and performance : Identify and agree with process owners areas that could be more efficient and effective.
- ⇒ Agree what future output performance looks like – how will it be measured ?

What is a S.M.A.R.T. Goal ?

A Goal is component of the business strategy that has been delegated to an individual or team for ownership and execution. They are responsible and accountable for its attainment.

S.M.A.R.T. Goal is **S**pecific, **M**easurable, **A**chievable, **R**ealistic / relevant and **T**imed. They are used to focus the mind of a delegate / trainee before and after attending a workshop. The SMART Goal is the result required that will guarantee a return on the investment and some measured added value to the business from the training. The time stated is the non negotiable DEADLINE by which the outcome is to be achieved by.

SMART development goals are established before attending the development programme.

Examples of SMART Goals :

- ⇒ Each member of the Northern sales team must increase their sales performance by £5,000 per person per week commencing 1/1/06.
- ⇒ The IT department must respond and attend <u>all</u> requests for assistance within 3 hours of it being reported – commencing next Monday.
- ⇒ The training department manager will evaluate all future training courses using Kirkpatrick Levels 1-4 commencing on the 1st of January and submit a report of his findings to the HR Director on a weekly basis.

⇒ Mike Smith will collect all the customer feedback questionnaires, analyse the contents and complete a summary report of the findings to be on my desk by Friday 5.00pm this week.

⇒ Having completed the training, Geoff Perkins will start cross selling the Alpha range of products starting next week with a target to close a minimum of one confirmed sale by 5.30pm each day starting 2.1.06.

Why Do Good Companies Go Bad ?

Sull D.(1999) described in the Harvard Business Review four 'dynamics of failure' :

1. Strategic frames can become binders;
2. Processes may become routines;
3. Relationships may become shackles ;
4. Values may become dogma,

Q : Do any of these dynamics relate to your organisation ?

How to Evaluate Learning and Development

Ashworth L. (PM Oct '05) reports that one impressive post training method was a follow up meeting between the external provider and the delegates. The provider took it upon themselves to assess and measure the improvement in performance and to discuss their future learning needs. In addition the provider asked for feedback of the course from the training procurer asking whether the training objectives had been met and any suggestions how to improve. This is excellent best practice that you should

expect from any internal or external provider.

Rae (2005) argues the purpose of the training provider is to provide effective learning opportunities as agreed in the contract with the client. (Appendix C). The role of the client, through the learner's line manager, is to confirm – by discussing the learners action plan- the ways it can be implemented in practice. It is only the manager who can support this implementation – the learning provider is not the learners boss, nor are they always on tap to support implementation. Rae identifies it is often too easy for management to duck out of this major responsibility and blame the L&D function for not doing what they should be doing for themselves.

Contractual Expectations: " It Does What It Says On The Tin ! "

When you pay and buy a product or service you have a degree of statutory protection under the sales of goods act that you will get what you paid for.

Q : How can this situation apply to your development strategy to ensure you get value for money and a return on investment and recover cost?

My recommendation is to set up a service level agreements between the Line manager and the development / training supplier and the delegate. (See example in appendix C). The Line Manager and the delegate must take accountability – having spent the money on training – seek a performance improvement and a return that covers the investment. If not then this cold become a performance issue for both parties as well as question the suitability and content of the training.

The L&D / training must Do What It Says On the Tin !

UK Spend on Management Training ?

According to the market research company Keynote expenditure on management training in the UK is set to rise from £17.9 Billion to £19.46 Billion by 2008 ! (PM Oct p66)

Development Best Practice (Appendix F)

Best practice advocates : Not sending anyone on any training programme unless they have been told why, they agree and they know / understand what will be expected from them on their return with a performance goal defined before attending. It is up to the line manager and the employee to recover a return on this investment, create some target to aim for that applies and attempt to transfer the learning into the business and achieve the goal (s) set. Ideally this should be through a discussion and agreement between the line manager, the employee and the trainer.

Line Manager : Sponsor or Saboteur ?

If the line manager fails to brief and de-brief his staff member after attending a workshop it dilutes the value and impact any future training might have. It also reflects a lack of commitment in developing the HR potential and the line manager could face accusations of poor performance or worse, mis-management.

Radical Ideas :

⇒ Do not sign up to any training or development unless it relates directly to your Corporate strategy and business metrics.

⇒ Do not pay for any training unless there are guarantees that it will create specific, measurable and observable improvements that were identified and agreed in the corporate **D**evelopment **N**eeds **A**nalysis.

⇒ Do create a Service Level Agreement that is contractually binding. Ensure it specifies the cost, commitment required and any specific measured outcome / performance improvements wanted. (Appen C)

⇒ Do not pay the full invoice until the SLA has been full completed.

⇒ Do publish monthly reports on L&D cost/spend and added value (£)

⇒ Do set SMART Efficiency and effectiveness improvement targets for Line Managers and L&D team members.

Strategy to Create a Cost Recovery Development Programme

1. Start at the end and work backwards : Process output back to input.
2. Review turnover, cost and profit. Annual / Monthly / Weekly / Daily.
3. Define your key processes and activities that support them.
4. Determine the key process current performance, potential capability, capacity and added value.
5. Review planned performance against actual – On track/Off-track ?
6. Find out what each process costs and the value it creates
7. Determine which adds the most / least value.
8. Decide whether to increase efficiency or effectiveness.
9. Focus on improving one process at a time. Set improvement target
10. Determine the financial benefit of this improvement in £0.00
11. Identify the change levers that impact on each process activity.
12. Review what metrics are in place.
13. Analyse the root cause of poor performance.
14. Agree and discuss with the process owner what is the problem.
15. Gain their commitment to the changes and support for the target.
16. Set a financial improvement target that takes into account trg costs.
17. Create a costed development programme focussed on the drivers.
18. Deliver Programme and transfer the learning into the Workplace.
19. Measure the process at intervals, compare change in performance.
20. Calculate & report the increase in effectiveness / efficiency achieved.

Appendices :

A	Alphabetical list of business process outputs
B	Alphabetical list of process drivers
C	Service level agreement check list
D	Development Needs Analysis Pro forma example (DNA)
E	Key Business Process Metrics
F	DNA Process Flow Chart / Overview

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Appendix A : List of Process Outputs

Output
Return on investment (ROI)
% of projects on schedule
% of projects to budget
Accident free shifts
Average cost per transaction
Brand value
Capacity – Potential output
Capital employed
Change programmes completed
Churn of customers
Client satisfaction
Complaint resolution – first contact
Completed orders – right first time
Cost efficiency = revenue-variable / fixed
CRM – buying habits / profile / bio data
Cross selling by each employee
Customer Compensation
Days lost through industrial action
Diversification measurement
Economic value added (EVA)
Fines / compromise agreements
Flexibility / differentiation / diversification
Future growth value
HR return on investment: profit / staff costs
Job satisfaction / grievance / discipline
Market share
New customers per day
Opportunities

Overtime – scheduled and unscheduled

Proactive not reactive trade.

Process costs = recruitment, manufacturing

Productivity = Actual output

Profit – Gross and net

Project management efficiency

Projects achieving agreed goals

Regulatory / legal compliance

Repeat business from customers

Return on capital employed

Re-work / errors / wastages

Risk management / contingency plans

Sales volume – targets achieved or not

Sales per employee per day

Sickness and absenteeism

Staff attraction

Staff turnover (Short term tenure)

Survivability

System stability / breakdowns

Training days / employee & total cost

Turnover from each customer

Variance with procedures and policies

Wages as % of cost base

Work environment

Appendix B : List of Process Drivers

Driver
Asset utilisation
Availability – 7 days / week 24 hours/ day
Bad debt ratio
Brand
Capability : Management quality
Capability to manage processes
Change readiness – ability to adapt / create
Characters – control and influence /culture
Competitive advantage
Customer expectations
Demography
Distribution networks
e.com / e.learning
Economy – local / national / international
Employee motivational level – expectations
Employee skill set – core competencies
Environmental and local issues
Industry regulation
Innovation level : New products/services R&D
Investment / interest rates
Investment levels
Key staff attraction and retention
Legislation – UK & European
Local economics and employment
Location – on shore / off shore
Location of business units
Market communication effectiveness
Multi skilled staff

New competitors

Organisational culture

Output per employee (salary recovery)

Partnerships

Partnerships / alliances

Patents – new / old

Philosophy / values of business / employees

Political and economic change

Product life cycle

Shareholder / stakeholder expectations.

Social and society expectations

Staffing flexibility

Substitute products

Supplier costs

Technology - systems / ERP / data

Understanding of competition

Understanding of customer trends

Understanding of Market : share / gap

Understanding of market drivers

Utilisation – assets / people / sub contractors

Unique service - profit driven added value

Value chain analysis

Weather / time of year

Work / life balance

Appendix C : Service Level Agreement Checklist

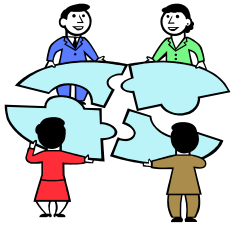
Data / Detail	Justification / Benefit
Accommodation / lunch - internal or external	Deliver on site or off site
Agreed price – inc or ex vat ?	VAT Registered / exempt
Assessment / exams / tests	Confirm capability/application
Assignment and sub-contracting	Ownership and responsibility
Attendance lists	Justify Who / when : Plan
Brand image / corporate logo /trg organisation	Control of image / template
Budget – cost / expenditure ?	ROI calculation
Cancellation – Delegates or training provider	Days notice – forfeit penalty
Changes to printing / material / delivery dates	Agreement / sign off / cost
Compliments and Complaints	Process / recognition /action
Confidentiality	Disclosure to competitors
Conflict	Resolution / arbitration
Constraints / do not's	Expectations / avoid conflict
Copyright	Who owns the programme ?
Data protection act	Records/reports open access
Excusable delays	Illness / takeover / turnover
Health and safety	Activity risk assessment
How evaluated eg Kirkpatrick levels 1-4	ROI – Visible / measured
How to be delivered ?	Learning styles of delegates
Identified partners	Outsourced/trusted suppliers
Indemnity and insurance	Accidents – protection H&S
Invoicing – sent to who / contents	Purchase order / finance dept
Language	UK – translation for overseas
Learning styles - No death by Powerpoint !	Delegates preferences
Legal compliance	Copyright/DPA/H&S/Contract
Length of agreement : From – To	Review / renewal date
Length of course ?	Modular / rolling programme

Line management briefings	Explanation / commitment
Link with identified key strategic objectives.	How / where add value ?
Material : electronic / hard copy / printing	Environment issues / format
Meals / accommodation inc or excl of price	Hotel preference / inc in cost
Measurement after the course	KPI's measured : ROI calc
Meetings with sponsor / frequency / paid	Meeting planned and costed
Monitoring	Quality/objective compliance
Name, position, contact details of sponsor	Consistent communication
Named Parties	Stakeholders/defined roles
Payment – method	BACS / Cheque / Cash
Payment days – credit days / breach etc	When invoiced – paid by date
Post course Performance Targets	Performance targets – ROI
Post course projects	Visible business application
Pre-course measurement of key result area	Start point – datum for eval
Pre-course meetings with line manager	Sponsor identify target / obj's
Pre-course work -	Reality check of completing
Priority of training – Aspirational / urgent	Strategic time planning
Property – intellectual property rights	Copying and dissemination
Publicity	Marketing internal / external j
Purpose of agreement	Overall objective
Quality assurance / continuous improvement	Review / improvement
Reports – contents / frequency / circulation	Timely action / questions
Reports on Cost recovery / High	Improvement - measured
Reports on Nil / Low ROI	No improvement – penalty
Review meetings	Support/coaching/application
Role of line manager	Dev Contract stakeholder
Signed off by – authority	Confirm it is Signed off first
Specific date to measure post course targets	Improvement in place by date
Termination	Cancel/ conflict in contract
Trainers costs – mileage / materials	Trainers sourced from where
Training styles: Original, relevant, imaginative	Flexibility / blended approach
TUPE	Training provider taken over
When to be delivered ?	Commitment / resource plan

Where to be delivered ? UK or overseas	Cost / practicality / language
Who attends – named list – size / location	Delegates agree/understand
Who delivers the workshop	Competence / credibility
Why running the course ?	Explicit objectives identified

DNA Proforma

Appendix D : Call Centre Example



Process : Inbound Customer Calls **Activity to be developed** : Cross Selling of New Products

Identified Change Levers : Product knowledge, potential buyer profile, self confidence, listening skills, Persuasive communication, activity analysis – Weekly / daily :Planning / preparation No of matches : Buyer to product . No of calls made, No of presentations made, No of closes, no of high value products sold.

Delegate name : Mike Smith **Current Sales Performance :** 2 products / week **ROI SMART Target :** 1 Product / day

Development Programme : Advanced Sales Skills **Course date :** 6.1.06 **Review date** 6.2.06 **ROI date** : 6.3.06

BEFORE

Process sequence mapped out – T/O vs Cost
Identify Key value / non value add activities.
Identify Key skills / attitudes / behaviours
Measure Current performance (line mgr).
Analyse gap : Plan versus actual (line mgr)
Decide increase efficiency or effectiveness
Root cause analysis – identify levers / drivers.
Agree capacity and potential for improvement.
Cost improvement gain.
Carry out development needs analysis : DNA
Identify development targets (Line mgr & del)
Identify development programme
Decide / discuss dev with process delegates
Cost development programme and ROI target
Decide : Internal or external delivery.
Define service level agreement / contract
Brief trainer / facilitator – design programme.
Plan and communicate date of delivery

DURING

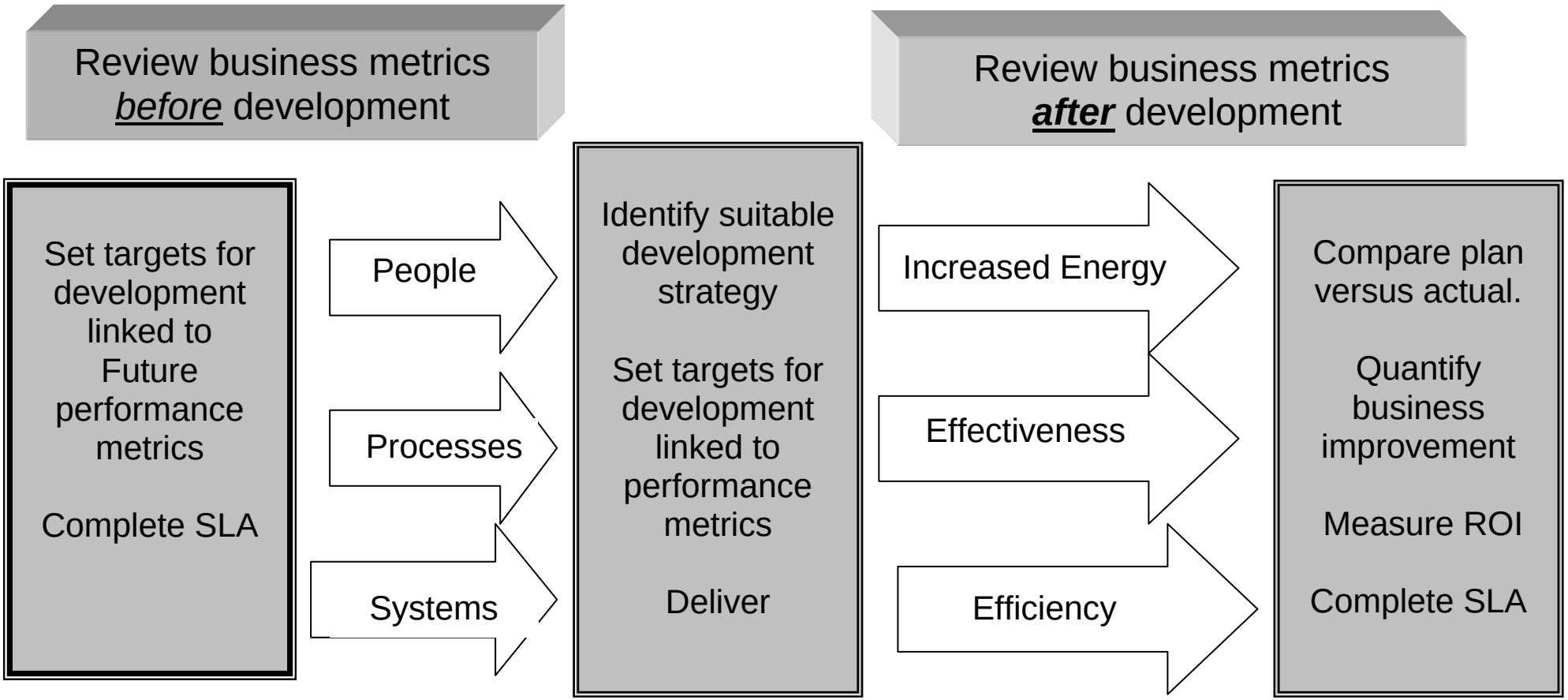
Use actual work data for illustrations.
Confirm actual situation.
Define activities that support / add value.
Identify outputs / levers/ for improvement.
Review process map – what needs to change
Agree how much the change should be.
Identify new skills / behaviours.
Practice / apply new skills in live situation.
Gain feedback – reapply new skills
Re-write new process.
Create new process routine.
Identify / remove barriers to new process.
Practice process, set low attainable target
Set short interval review dates : SMART ROI.
Set up coaching programme.
Reward success / adoption of change
Calculate total cost of training.
Evaluate at Kirkpatrick level 1-2

AFTER

Provide 1: 1 coaching – support
Follow day to day action plan
Ensure process compliance
Monitor short interval controls
Provide weekly summary reports on perf.
Hold weekly review meetings
Identify barriers or obstacles to application
Reward and recognise improvement gains.
Take action to identify why if no change
Measure benefit in terms of £ & effectiveness
Ensure line mgr & individual have ownership
Review ROI target date. Report to snr mgt.
Determine if trg has cost recovery.
Identify success and repeat else where.
Ensure sustainable change - no regression.

Appendix E : Process Driver Metric Examples

SALES	*HUMAN RESOURCES*	*CUSTOMER SERVICE*	*MARKETING*	*FINANCE*	*LOGISTICS*	*INFORMATION TECHNOLOGY*	*MANUFACTURING*
Call / day	Skill level	nos outbound	Market Intel	Cash	Sub contract	Reports created	Capacity utilisation
Mileage/day	Perf manage	Cold calls	Conferences	Profit	Damaged	Speed	Change over time
+/- discounts	Company cars	New products	Dept Budget	Investments	Reach / cover	Sharing of data	Communication
Staff turnover	Absence / sick	New service	Strategy	Overdraft	Stock rotation	Customer mgt	Cont Improvement
Close / call %	Flexibility	Credit line	Cust profile	Admin / HQ	Injuries	MIS – Value add	Cost / hour
S-M accounts	Tribunals	Timed delivery	Advertising	VAT on time	Resp time	Data accuracy	Cost to manufacture
New sales	Headcount	Complaints	Market share	Invoicing	In stock	Age of equip	Defects / unit
Repeat orders	Utilisation	Nos inbound	Promotions	Loans	7 / 24 service	Training	Efficiency
Paperwork	Induction	Repeat orders	Brand	Utilities	Dataaccuracy	Trend forecast	Environment
No sales staff	Diversity target	specific issues	Prod matching	Stock/Invent	Overtime	Hacker proof	Labour productivity
Sales/day/wk	Grievances	Time to fulfil	Strategy	Budget +/-	Utilisation	Contingency	Lateness of orders
Retention	Retention	Cross selling	Threats	Utilisation	Salaries	Investment	Over time
e.com/internet	Disciplinary	Orders taken	e.com	Tax on time	Vehicle fleet	Data Utilisation	People / Automation
Cost of sales	Employ law	References	Innovation gap	Consumables	Admin accur	Back ups	Range of products
Weekly Plan	Succession	Turn over	Staff level	Shares issue	Charges	Monitoring	Raw materials
Sales/person	Cost to recruit	Compliments	Comp Advan	Creditors	Inventory	Scaleability	Scrap / mistakes
Payment/price	Travel/expenses	Close account	Customer club	OPEX	IT link HQ	Real time ERP	Skills / contingency
Sales/product	Salaries	Time : resolve	New business	Pricing	Cost delivery	Connectivity	Time to develop new
Key accounts	H&S Claims	Cost : resolve	Exist business	Costing	Right 1st time	Data storage	Time to manufacture
Staff training	Pension fund	Gold / silver	SMART Goals	Reserves	Break ins	Profiling – mkt	Use of technology
Plan vs actual	Trg / person	proact contact	ROI on activity	Assets F&V	Headcount	Communication	Variance of budget
Sales/area	Turnover	Satisfaction	Competition	Debtors	Theft / loss	Security – theft	Warranty / quality

Appendix F : DNA Process Flow

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