

Budgeting with a View Toward Company Goals

More than ever, executive management understands the importance of training in achieving corporate goals. Your annual training budget, once the means of maintaining the status quo, must now reflect your understanding of where the organization is heading, and your plan for contributing to its success.

Executives will give more serious attention to a training budget that clearly shows tieback to specific corporate goals. For this, you'll need to gain a clear understanding of the business plans your training will support. Consider developing budget projections in categories related to stated initiatives, listing training required to fill knowledge and skill gaps.

- **Organizational Goals**

Consider mandatory changes in the business plan. Will training need to support new products or services? Will new processes or technology be introduced?

- **Strategic Change**

Is the company headed in a new direction? Do you perceive a shift in the corporate culture?

- **Individual Skills**

Is management focusing on better productivity and performance?

- **Turnover**

Will organizational or strategic changes result in higher turnover? Will more employees need to be introduced to the company, and its products, services, customers, and culture?



Having established a list, you can work through your budget in a systematic way:

1. Sort items between 'need to do' and the 'nice to do'.
2. Allocate a budget commitment for each item.
3. Don't forget to determine the total cost of taking employees off the job for training.
4. Determine the best training approaches, products or tools that fit the dollar and time allocations.
5. Include the cost of purchased courses, course development, trainee travel, etc.
6. Add 10% to the total as a contingency for unexpected business plan changes.

Studies show that companies spend an average of \$2,000 annually per employee on training. If you use this figure as a benchmark, remember that your support of entirely new corporate initiatives can be more costly. However, with a budget clearly tied to business goals, you'll be presenting a more compelling scenario to management...one that demonstrates your responsiveness to the organization and reveals the importance training plays in your company's success.