

How to Spend Your Training Budget

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INTRODUCTION

Training expenditures in the United States totaled \$90.6 billion in 2017, according to *Training* magazine's [annual training industry report](#). The organization, which has been compiling official data on budgets, staffing, and programs for 36 years, examined small (100 to 999 employees), midsize (1,000 to 9,999 employees), and large (10,000 or more employees) US-based corporations and educational institutions. It found that the average training budget for large companies in 2017 was \$17 million, while midsize companies allocated an average of \$1.5 million, and small companies dedicated an average of \$376,251.

"Training is often one of an organization's biggest budget line items," says David Wentworth, principal learning analyst at Brandon Hall Group, in a recent [article](#). He refers to a 2017 Brandon Hall Group training benchmarking study that found large organizations (defined as those with 5,000 or more employees) set aside an average budget of \$25.8 million for training; midsize organizations (with 500 to 4,999 employees) dedicate an average of \$1.1 million to training; and small organizations (defined as those with fewer than 500 employees) allocate an average of \$300,000 annually for training.

Although the numbers from these two studies differ slightly, the underlying message is the same. Organizations of all sizes are investing a significant amount of money in training. A budget is imperative when the financial stakes are so high.

While developing the training budget is usually the responsibility of the CEO, the CFO, or HR, the process of earmarking and overseeing it is often a function of the learning and development department. L&D leaders tasked with making crucial decisions on how to spend their companies' valuable training dollars know that there are no one-size-fits-all answers, and there are many ways to divide the perennial training pie. Strategies vary depending on each organization's unique situation. In general, L&D usually builds a mix of instructor-led classroom experiences, eLearning courses, videos, games, simulations, and/or social collaboration tools into the training budget, along with fixed expenses. The overarching goal is to balance fiscal responsibility while providing the organization with the best possible results for its training investment.

Factors to consider when preparing a training budget

There are many factors to consider when preparing a training budget. Initially, L&D must examine the “whos, hows, and whys” as they pertain to the specific training needs of the organization, because they all impact the dynamics of the budget.

Indeed, *whom* to train and *how* to deliver the training elements will drive a lot of the spending. However, of the three, the question of *why* the organization should upskill its talent deserves special attention. It must be clearly defined because the *how* of training modalities could change, depending on the *why*. After analyzing the elusive and sometimes philosophical *why*, one organization could end up with a technology and content/SME-heavy budget, while another might build a budget more heavily weighted toward trainers, travel, and other associated face-to-face training costs.

The most obvious factors to consider when preparing a training budget are the number of individuals who must be trained (cost per participant); the overhead (facility costs, catering, travel and entertainment, trainer salaries, and payroll tax/employment costs); and technology (eLearning authoring tools, learning management systems, project management software, server/hosting costs, and investment in developing new technologies).

However, there are other considerations, not all of which can be broken down numerically. Examining the organization's strategic goals, and then prioritizing training efforts to align with those objectives, should be an important part of the budgeting process. Specific line items may change depending on the industry, but broad themes will undoubtedly emerge.

One way L&D professionals can simplify the prioritization process is to divide training needs into three tiers. The first tier is training that addresses basic human safety and business compliance. This is mandatory and absolutely must be budgeted for. The second tier contains training initiatives aligned with key strategic goals as outlined by the C-suite. Ideally, these should also be incorporated into the budget, along with measurable key performance indicators (KPIs) as defined by upper management. The third tier would be auxiliary programs that could potentially add value but are not essential. They could be new or experimental training initiatives that the organization hopes to phase in over a period of time. Dividing up the myriad training possibilities using this method helps L&D leaders target what is essential.

Here are some other general tips to consider when preparing a corporate training budget:

- Analyze the current business needs and goals, and ascertain how training can help the organization achieve them.
- Determine which jobs or roles are critical to the future growth of the company. Do employees in those positions have the training and skills required for success?
- If the overall attrition rate is high, training may help mitigate the problem. Budget for programs that specifically address that issue.
- Certain soft skills can improve overall performance and morale in the workplace. Is there room in the budget for this type of training?
- Existing training material may be out of date or no longer relevant. Be sure to allocate funds to revamp existing material to reflect current regulatory frameworks.
- Does the company have plans to expand mobile learning? If so, gauge the mobile-readiness of employees and plan accordingly.
- Data protection is a huge concern today. If there are gaps in the current system, make sure to budget for a solution.

Top priorities for L&D

Opinions differ on what should be of primary importance to L&D when strategizing a training budget. "The top priorities are those roles critical to meet the revenue growth of the company," maintains one expert. "If the company is launching new products or services, then the sales force needs to be trained on an immediate basis. If the company is expanding to new geographies, then knowledge and training of the newer markets and the competition is vital. In a nutshell, product knowledge takes priority."

Others emphasize the importance of engagement, regardless of what training will be delivered. "The success, subsequent retention, and hopefully practical application of a learning event will forever be predicated upon how effectively we keep the learner engaged—whether that is in a classroom, at a conference, or on their phone," says an industry consultant. He adds that keeping training fresh and relevant is a top priority—and a constant job.

One industry expert notes that individuals routinely examine the budget from the previous year when planning for the future, a habit she thinks is counterproductive. "Looking ahead to where future training is heading and the type of innovations that should be invested in should have much more of a priority in budget planning," she says. "The problem for most training leaders is that investing in new technologies is expensive and has unproven ROI results, which is why they are often under-invested in when it comes to training budgets."

When allocating a budget, L&D should not neglect its own needs. In a *Learning Solutions* article titled "[Eight Ways to Best Spend Your Online Learning Budget](#)," Lisa Minogue-White emphasizes the importance of investing in the technological expertise of the L&D team.

"Understanding learning technologies, facilitation, curation, and blended learning design are core skills if your L&D team is to maximize the knowledge of your organization and benefit from supporting technology," she writes. Minogue-White also notes that dedicating a portion of the L&D spend to fostering, nurturing, and growing informal learning initiatives can reap huge rewards in the workplace.

How to divvy up a training budget

Training budgets will vary depending on each organization's unique needs; however, there are certain basics that appear in nearly all of them. Following are some of the most common expenditures built into training budgets:

In-person training

Although some organizations are cutting back on in-person training—given the rising cost of travel, entertainment, catering, and facilitation—it is still an essential element of a well-rounded training mix.

"I think in-person training is always going to be an important part of an overall training strategy and budget," says a senior director of learning, who adds that one hidden benefit of live classroom training is the valuable networking that occurs when people meet face-to-face.

Minogue-White agrees, noting that in-person training “can also be the catalyst for more sharing, collaboration, and dialogue online.” She maintains that live training provides much-needed personalized support, especially when subjects are challenging or highly contextualized.

Many believe that live instructor-led training (ILT) should be the go-to training method when human interaction or customer service is involved. Other instances where in-person training may be a top option include situations where learners must practice hands-on procedures such as operating dangerous equipment or performing CPR; master skills such as negotiation, leadership, or management training; or perform complex analysis or deep thinking.

Depending on the nature of the business, the requirement for face-to-face, instructor-led training can vary greatly. Generally speaking, experts recommend that 20 – 30 percent of the total annual training budget be allocated to in-person training.

Online training

Online training is a mainstay in virtually every training budget. There are many advantages to online training:

- It helps organizations overcome barriers of time and distance when delivering learning
- It is more environmentally friendly, since most of the material is in electronic form and there is less need for printing paper copies
- It is usually more cost-effective, especially when scaled
- Productivity is improved, since employees do not need to travel in order to attend training
- It is accessible 24/7, particularly when mobile learning is enabled
- Learners proceed at their own pace, in a setting they feel comfortable in
- There is a large variety of tools to choose from, making it easy for organizations to target learning goals

Experts estimate that an average of 10 – 20 percent of the training budget should be devoted to the purchase, upgrade, or development of online training tools. They note that it is particularly important to dedicate a portion of the budget to new technology that may improve productivity, or help develop a cutting-edge product.

“If you are a traditionally conservative organization when it comes to tech spend, I would encourage you to look for opportunities to do more online,” recommends one expert. “There is no question you can reach more learners per dollar.”

Content creation

Organizations require a fair amount of content. When budgeting, set aside money to update older material as well as develop new content. Content specifically geared to the organization’s proprietary needs can be created in-house or in conjunction with an outside provider.

A viable and often cost-effective option is to purchase content from third-party sources, which offer a surprisingly varied amount of material that can be personalized or branded. Fast and easy to deploy, third-party sources are especially useful for securing content that addresses general topics such as compliance or soft-skills training.

An organization might consider third-party content when:

- Subject matter experts are unavailable, or too busy to provide the guidance needed to develop in-house content.
- Training must be deployed quickly, and there is an appropriate off-the-shelf solution.
- Cost is a concern. Assuming the quality is equal, it can often be cheaper to purchase existing content from a vendor than to develop it in-house.
- Corporate resources are slim. Third-party vendors may have cutting-edge technologies at their disposal that could produce quality training with a "wow" factor (e.g., 360-degree video).

When considering the incorporation of third-party content, Minogue-White advises L&D leaders to have a focused plan and curate content that complements it. "Don't chase the next shiny new topic—chase the business need," she warns. She recommends that cash-conscious organizations use their budgets primarily for the development of critical or underserved areas.

Minogue-White also suggests taking a closer look at what the organization already has, because a wealth of usable content may be hidden in courses that are difficult to search or that could be refreshed with minimal effort.

"Your organization already has plenty of content—it may not be perfect, but when contextualized for the learner, blended with informal learning techniques and dialogue fostered with other learners, you can get much more value out of existing investments," she writes.

Platforms, software, and authoring tools

Platforms, software, and authoring tools must also be considered when allocating a training budget. Upgrading an existing system or investing in a completely new learning management system (LMS) or learning content management system (LCMS) is not typically done on an annual basis, but company needs should be reviewed regularly.

Although a new LMS will take a big bite out of a training budget, the long-term dividends could be significant. Some pros of investing in the corporate LMS include:

- More of the training is hosted online, saving travel expenses
- Training and performance can be tracked
- Management can generate a host of reports and use the valuable data insights to make informed decisions

As one industry expert notes, the LMS and its toolset play an important role in managing the overall corporate learning organization. "It would not be out of line to assume its percentage of an overall training budget would be similar in nature to an organization's operating G&A (general and administrative) expenses," he says. "More complex organizations require more management and overhead as a result of the nature of their business. The same can be said of LMS needs. Aligning spending on online tools with the corporate rate of general overhead is a realistic benchmark that should be in the right ballpark."

Consultants recommend keeping platform, software, and authoring tools to approximately 20 percent of the budget.

Subject matter experts (SMEs)

Since it is impossible for most internal L&D teams to have all the knowledge necessary to provide training for the entire workforce, they commonly turn to subject matter experts for assistance. Budgeting for SMEs is usually (but not always) an L&D expense.

"I think every business should have in-house subject matter experts, or utilize external contractors to support training that is specific to the company and its proprietary products or services," notes one consultant. While companies should have provisions for SMEs when needed, they should generally total just a few percentage points of the overall training budget.

Promotion

Finally, L&D might have a plethora of great programs, but they are useless if nobody takes advantage of them. For this reason, it is necessary to allocate a percentage of the budget to alerting employees of the offerings available.

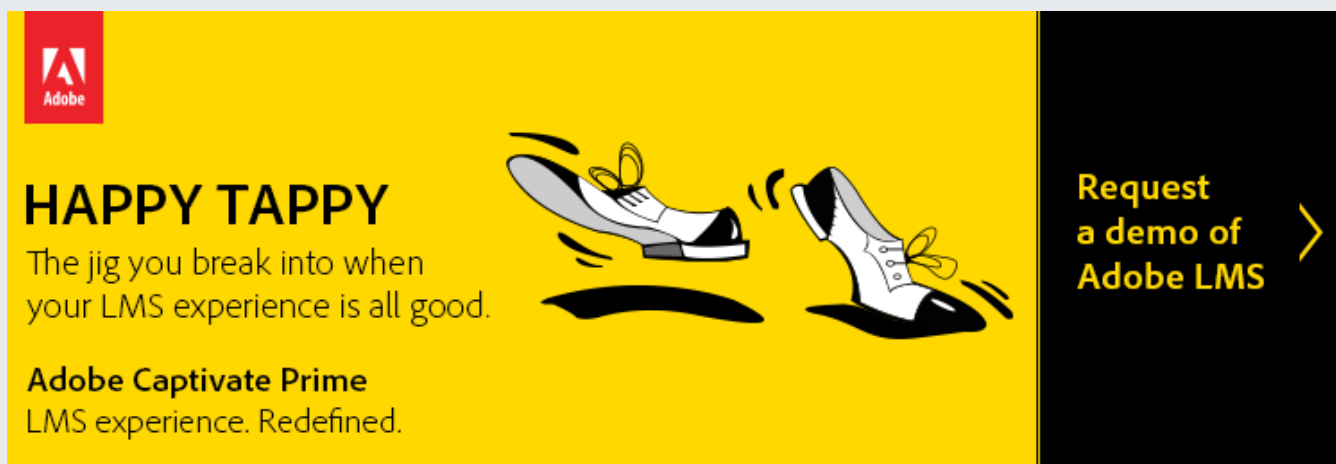
Promotion can play a vital role in making employees aware of the company's training programs and change management initiatives. Experts suggest that anywhere from 5 – 15 percent of the training budget should be allocated to this. Promotional campaigns can be launched in partnership with the marketing department.

CONCLUSION

Organizations today invest a significant amount of money into training. It is the responsibility of L&D leaders to make sure that the investment is spent wisely.

This paper has offered practical tips from industry experts on how to evaluate training priorities, and provided key considerations for L&D professionals tasked with building and/or allocating a training budget.

Adobe's LMS Solution: Captivate Prime

The advertisement features a yellow background on the left and a black background on the right. On the yellow background, there is the Adobe logo in the top left corner. Below it, the text "HAPPY TAPPY" is written in large, bold, black letters. Underneath that, in smaller black text, it says "The jig you break into when your LMS experience is all good." Below this, it says "Adobe Captivate Prime" in bold, followed by "LMS experience. Redefined." To the right of this text is a cartoon illustration of two white sneakers with yellow laces, appearing to be in motion. On the black background, the text "Request a demo of Adobe LMS" is written in yellow, followed by a yellow right-pointing arrow.

A growing number of companies rely on Adobe's LMS solution, Captivate Prime. [Click here](#) to learn more about the cutting-edge platform.

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