



Moving forward in 2011

Do you have your new budget yet? If you do, then how did you get on? And if you haven't, then what should you expect? Alan Bellinger sets a framework.

In the last issue I set out some strategic planning assumptions for 2011 and sought collaboration on them. There were twenty planning assumptions in all; and people found most of them generally acceptable. However, there was one area in particular that attracted a lot of debate – the issue of budgets.

In researching this issue it has become clear that there is an enormous level of variation – far more than I had anticipated in the last article – and that has led me to develop a model that explains the way in which budget expectations in different sectors are moving.

Market model

To make sense of this massive variation, I have developed the following model that looks at the range I was hearing about in the collaboration exercise we followed.

The model starts with an obvious split – the public sector and the private sector (I accept that there's an argument for charities and others to be referred to as the third sector – but, for simplicity, I've treated them as 'quasi-government').

Figure 1 highlights the spread that I have been hearing of from the different sectors – the upper figure in the table represents the top 10 per cent and the lower figure is the lower 10 per cent. So, to check how you did, simply pick your cell.

Admittedly, this is a very simplistic model as it ignores criteria such as the size of your organisation or the market sector in which an organisation operates. Those factors will skew your eventual budget to one end of the range, but it's interesting to see that a company's performance profile seems to be the key determinant.

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Public sector

I've split the public sector into the conventional central and local government; but the third sector here is something of a misnomer. Although I've used the term 'quasi-government', I'm not referring specifically to quangos. Rather, I have included organisations like the emergency services and organisations that are close to the public sector and are largely dependent on the public sector for their funding.

From all the people I've spoken to over the last couple of months, it's clear that the public sector is having a very hard time at the moment. However, although initially there was a fair level of doom and gloom, that soon changed and I've noticed now that there is a far more positive view emerging across different types of organisations in the public sector.

This positive attitude is almost totally dependent on the approach that the public sector operation is taking to the budgetary constraints. It ranges from 'better skills leads to efficiency savings' to 'we can't afford any training.' However, the number of organisations that are turning towards the first approach (skills equals savings) is growing significantly.

Now that's not to say it's business as usual; the focus is much more on enabling staff to work smarter rather than bringing back lots of training schedules. But it's certainly a case of finding critical areas in which focused training can lead to productivity enhancements. In short, the performance mindset rather than the training mindset.

I found that this performance mindset was especially prevalent among police forces, where there is a strong focus on operational capability and the effectiveness of back-office services, and among local government, where the centre of attention for IT training tended to be application readiness. What an interesting move – from ECDL

as the evidence for IT capability to a clear focus on applications and what they represent in terms of service to the citizen.

ABC model

There are many ways to classify operations in the private sector, and I have chosen to ignore the two most popular. Firstly, while the sector in which they operate (e.g. retail, telecoms, finance etc.) is certainly the most popular method of classification, I couldn't find much commonality in that classification. The second classification is based on size, and again, there was little commonality in budget expectations and size of the operation.

The Gartner Group use the ABC model to define organisations' approach to new technology adoption – the As tend to adopt it rapidly, the Cs are the laggards and the Bs fit in between. I have adapted this model to refer to high, medium and low performing enterprises. For example, if we take the recently reported sales figures over the Christmas period, Ocado reported superb results and would clearly be in the As. Sainsbury's and Tesco's results were pretty good and therefore they'd be in the Bs. And HMV would clearly be in the Cs.

There was a very high correlation between the ABC classification and the way that budgets were trending, and this is what I've shown in the table above.

Private sector

The A organisations were setting extremely challenging goals for 2011. In the vast majority of cases there was a strong focus on performance objectives, and the skill sets that were being defined were all closely mapped to the organisation's specific needs. The idea that training has become a commoditised service was long gone.

I believe that this is symptomatic of the role of leading-edge organisations in 2011; the idea that L&D can pick solutions from



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|----------------|--------------------|------|
| Public sector | Central government | |
| | Local government | ** |
| | Quasi-government | |
| Private sector | A's | **** |
| | B's | ** |
| | C's | * |

Figure 1: L&D budgets

a smorgasbord of options from a range of providers is somewhat past its sell-by date. As a consequence, training providers that are able to advise on different approaches, adapt their content to the specific needs of the client and support the business in the deployment process are the ones that are having a better time at the moment.

The B organisations also tend to look for specific solutions, but are likely to go for standard options (specifically scheduled courses) if there is a small audience. Among those I have spoken to, B organisations tend to be rather more risk-averse and seek comprehensive justification for their actions before commencing. In this group, there is a higher focus on compliance and on successful technology roll-outs.

L&D in C organisations tends to be very conservative and the approach is limited to the basics only – especially compliance and risk avoidance. As new system roll-outs tend to be on hold or delayed, they do not figure prominently in the L&D organisation's plans; and usually there aren't many new employees who need induction.

However there was one approach that was common across most of the L&D organisations in the private sector – the need to adopt new ways of looking at the whole issue of skills development in the organisation. There was a clear focus on saving money and ensuring the effectiveness of L&D's interventions.

Management expectations

Although it could be argued that management is not being terribly generous towards L&D at the moment, it is no less demanding that it has been in the past. The one cry I came across more than any other was the need for L&D to be closely aligned to the needs of the business and, specifically, to initiatives that were critical over the next 12 to 24 months.

In addition to alignment, the other pressure was to be able to demonstrate value. The soft argument – namely, that incremental skills lead to higher motivation and commitment to the organisation – simply won't wash in today's high pressure business environment.

L&D challenge

There was an interesting blog over the Christmas period saying that the CIO should be referred to as chief innovation officer rather than chief information officer – and what an interesting thought that represents. I firmly believe that the IT department is one of L&D's key challenges in 2011 and there is no way that L&D can deliver on its commitments without close collaboration with IT. It's true that cloud-based services have reduced that dependency, but only to an extent.

However, if the CIO focuses on innovation and L&D is the key agent of change, then 2011 really will be a case of shared destiny.