



SUMTOTAL  
WHITE PAPER

# Elevating Talent Development in a Down Economy:

Five Steps toward a More Effective Business Case for Learning Initiatives

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## Introduction

During a down economy, top-line growth naturally slows as customers' wallets shrink and competitors fight over a smaller pie. To align expenses more closely with decreased sales, many companies attempt cost-cutting initiatives—and employees, often seen as variable costs, are forced to pay the price. Headcount freezes. Workforces are reduced. Non-essential business units are eliminated. And to add insult to injury, as organizations restructure in response to economic changes, management turnover increases and depletes the crucial leadership pipeline.

Ironically, while job losses are mounting, companies continue to struggle with shortages in critical, high-impact positions. Despite millions of unemployed workers the people who make the difference between profit and loss and who drive a disproportionate share of their company's business performance are always in short supply. The reality is simple: Even in an economic downturn, talent at critical positions is always in short supply. Additionally, on-going restructuring increases leadership turnover and depletes vital leadership pipeline.

How do you gauge the real impact of workforce restructuring during hard times? Can your company avoid painful talent shortages with a focus on developing and engaging existing employees? This paper assists organizations in addressing these crucial questions. In addition, our valuable five-step process helps you strengthen the business case for learning initiatives and other talent development programs, so that you justify the value of your initiatives and help achieve the highest possible business performance, no matter what the economic forecast holds.

## Evaluate the Impact on Talent in an Economic Downturn

Before you can build an effective business case for any kind of talent development, you must first understand how your workforce and your business performance will respond to the organizational shifts that can take place during economic cutbacks. The following questions will help you gain greater insight on where you stand:

- **How does restructuring impact your organization's alignment with corporate objectives?**

Although we do not control economic cycles, we can control how we respond to a downturn. If a restructuring is necessary, for example, we can take steps to improve internal collaboration, increase synergy and minimize the impact of the restructuring. First, consider how the new organizational structure will align with corporate business goals—bearing in mind that conflicting and competing priorities will waste both time and productivity. Assess which functional areas will be most affected by a reduction in workforce, and then identify any new skills that retained employees will need to acquire in order to make up for the lost headcount. You can also plan to cross-train or redeploy existing talent into new roles as required. And if your company chooses to merge different business units, for example, or move away from a business-unit-oriented organization to a functional organization, be certain that your learning initiatives and learning management system (LMS) are flexible enough to adapt to this change, so your talent can continue to deliver meaningful results.

- **What are the top-line and bottom-line implications of a reorganization?**

Examine which functional areas within your company are hardest hit by the economy. How will restructuring these areas affect your market reach and your ability to sell? What about your ability to support customers? Can you continue to build innovative products that deliver real customer benefits? If you understand the impact that a reorganization will have on your business, you can then appropriately focus your training initiatives and talent development programs to cover gaps, offset potential damages, and offer the most strategic value.

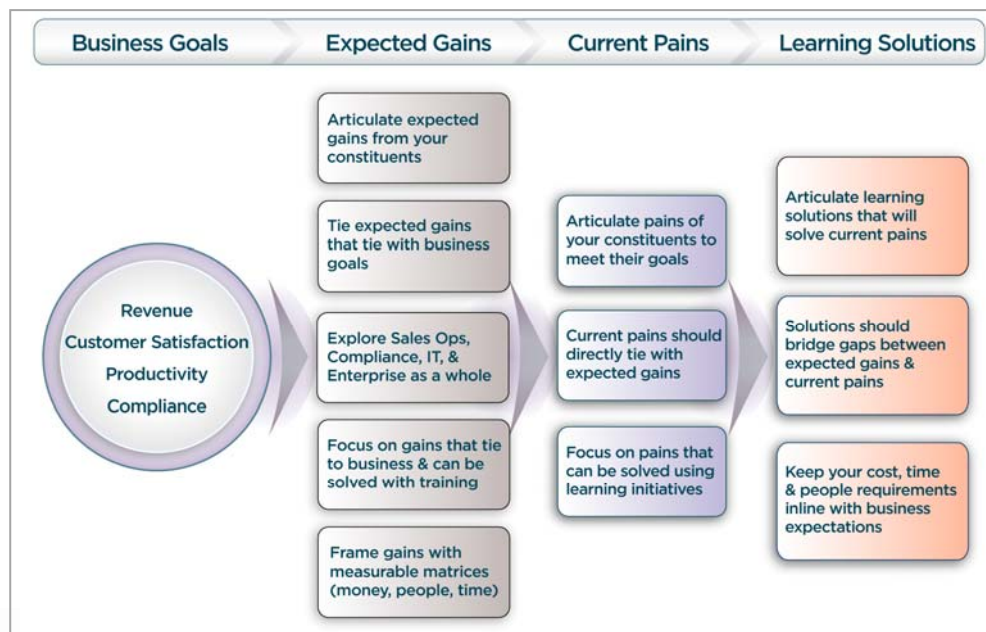
- **What are your plans to engage, align and develop employees after restructuring?**

For those employees who remain after right-sizing, the effects on morale can be distressing. Workers may feel increased uncertainty about their futures—and as a result, they might be less engaged in day-to-day tasks and ultimately reduce their productivity levels. Fortunately, you can prepare for this reaction and work to mitigate it. With good communication about available training and career development programs, employees will feel better equipped to handle new responsibilities. In addition, they will gain a better understanding of how their personal career objectives map to the company’s goals, which can drastically improve their engagement, productivity and long-term retention with the company.

## Five Steps to Build a Solid Business Case for Your Learning Initiatives

Clearly, your talent development programs—and learning efforts in particular—can play a critical role during difficult economic times. You need the most effective business case possible in order to convince management of the need to maintain, refocus or construct these programs in order to alleviate the potential pain of cutbacks or reorganizations. These five tips and an understanding of the Enterprise Learning Value Chain will get you on your way.

### Enterprise Learning Value Chain



## 1. Understand your business imperatives.

SumTotal customers that have built successful business cases for their learning initiatives typically begin by clearly identifying their business goals and then working to understand what those goals mean. Like these customers, you can evaluate annual reports to pinpoint specific challenges that can be resolved through learning and talent development programs. After isolating those challenges and areas of focus, interview key stakeholders for those areas. Dig deep to understand their strategic objectives and pain points. How do they measure their success and track critical metrics? What will it mean to these functional areas or stakeholders if your talent development initiatives fail?

## 2. Identify high-impact initiatives.

Next, look at your strategic corporate goals—such as revenue growth, reduction in customer churn, or productivity improvements—and determine which high-impact learning initiatives will best align to those objectives. For example, if a retail company would like to expedite growth by opening new stores in different geographies, the company would need to build training programs geared toward accelerating the process of launching those stores. Or consider a healthcare network that, facing a shortage of skilled nurses, is unable to meet patient care demands effectively. The network would benefit from learning initiatives that worked to improve the skills, engagement level and retention rate of existing nurses, so it could boost employee productivity and better serve patients with resources on hand.

## 3. Link business goals with current pain points.

Conversely, you also need to identify your current challenges, and show how they reflect your existing inability to meet strategic business goals. For example, your Vice President of Customer Support is dealing with negative effects from high rates of customer churn and overall poor support quality. Uncover the specifics with regard to churn percentages or resultant lost revenues, and use these details when building your business case. As another example, imagine that lack of proper employee training results in an average of 15 noncompliance incidents annually—and with each incident, your company must pay a fine of \$100,000. Over a single year, you are spending over \$1.5M on avoidable fees, and also opening your company to potential class-action law suits for certain type of violations. Determine how these types of pain points prevent you from achieving objectives related to revenue growth or expansion into new markets.

## 4. Outline the measurable gains you expect your learning initiatives to deliver.

Beyond recognizing the broader challenges you face, you must also identify the detailed, acute pains that training or other learning programs can help to solve. Then clearly delineate how any proposed training initiatives would deliver measurable gains that map directly to those specific pain points and drive the company toward achieving its business goals. For example, the healthcare network mentioned above would need to outline how a development program for nurses would specifically improve patient care, increase compliance, and increase employee retention rate. Likewise, the company facing customer support quality issues would need to show how a development plan focused on bridging skills gaps for customer support employees would lead to faster problem resolution and a reduced percentage in churn rate.

## 5. Demonstrate tangible expected business results and return on investment (ROI).

These are the figures that hold real influence when building your business case. Eliminate abstract benefit phrases, such as “significant cost savings,” and instead offer specifics about cost savings, revenue growth, or churn rate reductions. Calculate hard, meaningful numbers about the expected results from your learning or talent development programs—such as \$2M expected savings from compliance-related training initiatives. And be sure to keep your project cost, timeline, and resource needs in line with business expectations.

## Conclusion

During an economic slowdown, corporate restructuring is often unavoidable—but you can work to avoid the typical downstream effect that cutbacks can have on employees. By focusing on high-impact talent development initiatives that work specifically to tackle acute pains, you can boost employee morale while bridging skills gaps to help your workforce become more capable, engaged, and productive. As a result, you can prevent costly business disruptions and continue working to deliver measurable business value.

To learn more about how SumTotal can work with you to help strengthen business performance, please visit our Web site at [www.sumtotalsystems.com](http://www.sumtotalsystems.com)

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