

Building Your Training Budget

Get on Track with What It Costs to Train

By Kara Rice, CAM, CAS

This article first appeared in the September/October 2006 edition of Multifamily Pro magazine, found online at www.multifamilypro.com .

Ah, autumn. The season that means pumpkins, hay rides, and mulled cider to most has an entirely different context for property management professionals. Instead, the arrival of cooler weather signals to multifamily managers that it is time to fire up their calculators and break out their spreadsheets. It's time to re-bid their service contracts and put together wish lists.

Forget the Great Pumpkin, Charlie Brown. The one thing you can count on to make an annual autumn appearance is the property management budget forecast.

Some companies are attempting to budget their associates' education for the first time -- and it's about time. Employee training has long been undervalued in our industry, as well as underfunded. And, many of those who do invest in education don't monitor their investment or track their costs. There are many things to consider when drafting your property management company training budget.

How Many People Are You Training?

First and foremost, determine how many people you will be training. Will it be everyone in your organization? If so, that's relatively easy to quantify. Surely someone somewhere has a tally of the total number of employees on your payroll. As a general rule, apartment communities staff two persons per 100 apartment units (one each in maintenance and management).

Consider the difference between new hire training needs and continuing education needs.

So you know how many people you employ-- excellent. But, that's not the whole picture. Don't forget to factor in employee turnover, which is typically in the neighborhood of 65 percent for property management firms. Calculate how many new hires you expect to have during the course of the year, based upon your annual rate of employee turnover.

If you don't know your actual turnover, use 65 percent of total employees as a benchmark figure. If you are not already doing so, now is a great time to start tracking your annual employee turnover so you can better plan for your turnover training costs next year.

Your new hires will require more training hours, whether they are new to the business or just new to your organization. Most organizations offer new hires two to three times as much training as stabilized employees; there's one more reason why reducing employee turnover makes good fiscal sense.

How Many Hours of Training?

If you have a training program in place, tally the total number of hours of training delivered to each associate. If you do not yet offer in-house education, now is the time to craft an outline of your curriculum plans. You can't possibly estimate your costs until you know how much training you plan to deliver.

The cost of delivering live training can vary widely depending on a number of factors: whether your instructor is in-house or contracted; whether your training is coming from a local apartment association or other professional organization; the costs of travel involved for both students and the instructor; lodging and meals for both students and instructors; development costs for creating in-house course content; acquisition costs for purchasing off-the-shelf courseware; costs to cover for the associate and instructor who are absent from their usual job; and more.

My firm uses \$50 per hour per student as a benchmark cost for instructor-led training. The real figure will vary based upon your organization's unique situation.

Do you have one or more people devoted full-time to education? If so, the personnel costs for your training team need to be allocated across your communities' training budgets. Whether or not it makes sense to have full-time trainers depends upon the amount of training you plan to deliver, as well as the size and geography of your apartment portfolio.

Other Training Methods

Property management firms are increasingly using distance learning approaches, such as online education, telephone training, and Web conferencing, for efficient, timely, and consistent delivery of critical knowledge and skills.

The costs for these options vary widely, and will depend upon your choice of technology and provider. Because distance learning eliminates the need for travel and associated expenses, such as lodging, meals, and extended time offsite, the costs are typically significantly less than with instructor-led education. Plus, your entire education investment goes toward the enrichment of your associates, instead of toward coffee, donuts, and highway tolls.

I firmly believe that the very best associate education programs take a blended approach, combining live, facilitator-led instruction with distance learning alternatives. Such a blended approach gives the learner a "best of both worlds" scenario.

Company-specific policy, procedures, and culture can be communicated best via competent in-house instructors, while fundamental skills and compliance concerns benefit from the timeliness and consistency of message offered by distance learning options. Learners also appreciate the variety of media and message, as well as the opportunity to learn according to their own schedule.

Additional Costs

However, there is more to education than people. Don't forget to plan for equipment, such as instructor laptop computers, LCD projectors, and screens. For lower tech training solutions, budget for overhead projectors, bulbs, and flipcharts. Development and reproduction of training materials, such as policy manuals and workbooks, adds up too.

If you'll be using distance learning, consider whether your on-site equipment, such as computers and telephones, are up to the task, or if they require updating and upgrading.

Getting a group of learners together for a class also often requires rented meeting space, which can be costly. To accurately forecast these expenses, determine the frequency and location of your live training seminars and get pricing on meeting space, such as hotel conference rooms. These costs will vary widely from market to market, so it is important to solicit real pricing in each of your likely meeting marketplaces. To cut down on price, you may want to hold training at one of your larger clubhouses conveniently located to your other communities.

The Cost of Not Training

Investing in your associates' knowledge and skills makes smart business sense. Well-trained employees perform better and make fewer mistakes. They have greater motivation and drive to do well. They have increased loyalty toward their employers. Just as importantly, they pose less of a liability.

For example, if you have front-line employees who have never received Fair Housing training, you are terribly vulnerable to serious financial risk in the form of a negative Fair Housing judgment. Similarly, sexual harassment allegations can cost your firm significant dollars, not to mention undermine your reputation in the community. Failure to educate your associates on laws, regulations, and compliance concerns is reckless and irresponsible.

Very little data exists on multifamily training costs, standards, or return on education investment. I regularly receive inquiries from clients asking me what

the “standard” is for the ratio of full time trainers to employees. Unfortunately, I don’t have the answer.

In our business, there seems to be no standard. Some firms invest heavily in associate development, while most invest very little. To add to the confusion, the costs associated with employee education are allocated differently and called assorted things in various organizations.

In a recent informal survey of our clients, my firm discovered that while all of the responding companies had made an investment in education for their associates, only 67 percent have “training” as a specific line item in their property budgets. The other 33 percent are not tracking their training costs. Less than half of the respondents calculate their training costs per individual associate, and only 28 percent say they track the costs associated with replacing an employee who has left the organization.

To determine the right education solution for your property management organization, it can be immensely helpful to talk to your counterparts at other management companies. Conduct the equivalent of a “market survey” among your peers and uncover how they are delivering training, how much training they are delivering, and how well it is working for them. Ask them how much they are spending, and where their dollars are paying off the best. Before you fire up your calculator, conduct your due diligence in order to confidently budget and plan for the future development of your associates.

About the Author: Kara Rice, CAM, CAS, is the co-founder and chief information officer of Grace Hill Inc., a provider of online education. She may be reached at krice@gracehill.com.