Unit 5 – Needs Assessment

Contents

- Understanding the role of needs assessment and selling contracts
- Reviewing the three different types of needs assessment
- An 8-Phase Needs Assessment Model for developing solutions

Definition of Contract Education Needs Assessment

Needs assessment in Contract Education is a process designed to identify challenges or opportunities in business and to assess whether training (or some other service) will help organizations and their employees achieve success. Generally, a needs assessment clarifies the gap between the level of performance an organization (or an occupation or individual employee) has and the level it wants.

Many of your needs assessments will be simple question-and-answer sessions where you ferret out client problems and requests. But some situations will call for a more sophisticated needs assessment and it's good to understand something about the needs assessment process and the findings report product before you commit to including more sophisticated needs assessment in your portfolio of services.

Why Are Needs Assessments Done and When?

When an organization sets out to make a decision, they may have the sense that they already know what they need. And in one sense, they probably do. There are plenty of indicators of need and the organization may already know one or more. In the case of fairly common organizational needs, there are probably plenty of general proposals floating around for resolving them. But, it's also likely to be the case that an organization will sometimes perceive that its needs are unique enough to warrant a separate needs assessment to ensure a truly customized approach to a solution.

Needs assessments are generally done to explore:

- Performance problems;
- The implementation of a new technology, work practice, or system; and
- How an organization can best take advantage of an upcoming opportunity.

In many cases, the needs assessments will uncover a need for training. This is especially true when the performance gap is a result of a lack of skill or information necessary to accomplish the change they want.

In some cases, the needs assessment will show that training is not an appropriate intervention – that people already have the skills or information they need and that something else stands in the way. When this is the case, your recommendation will tell the client not to waste time and money on training, but to instead focus on fixing the root cause of the problem or the best sources of support for the change.

Five Examples of Why a Client Might Need Training or Some Other Solution
1. The client has a need for new knowledge
2. The client has a need for new or specialized skills
3. The client has business problems
4. The client needs to be compliant with legislation
5. The client needs to develop a new company culture or mind set

Other Benefits of a Needs Assessment
Needs assessments help an organization:

- Decide if training or something else is the most appropriate strategy to solve the challenges at hand;
- Avoid under-training or over-training;
- Prioritize training needs; and
- Assess the importance of follow-up to a training as a role in the success of the employees.

Contract Education staff sometimes ask why they should do a needs assessment when they only get evaluated for selling and delivering training. (The question is a good one. It indicates that you are focused on doing income-generating activities.)

To understand the answer requires taking a longer-term focus. When you do a needs assessment, you're more likely to do a better job in serving the client. When you do a better job serving the client, you'll get more return business. This increase in business is the very thing you want to create more stable support for your unit, inside your organization and in the community you serve. You show added value and change the relationship from vendor to partner.

Types of Contract Education Needs Assessment

There are three types of needs assessment a Contract Education program should be able to administer:

<u>Organizational Needs Assessment:</u> An organizational needs assessment analyzes an organization's challenges or opportunities; determines the impacts of the change on the organization and then assesses the preparedness of the organization to adapt.

<u>Occupational Needs Assessment:</u> An occupational needs assessment analyzes problems and solutions at an occupation-related (think 'job title' or 'job roles' or 'position') level of performance, and then assesses the skill and knowledge gaps found in employees in those jobs.

<u>Individual Needs Assessment:</u> An individual needs assessment analyzes an employee's potential need to make changes in their performance. It could also determine the impacts of the employee's present performance on overall company or work group performance and could assess the skill and knowledge gaps of the employee and their preparedness to move forward.

The method for doing a needs assessment varies from organization to organization. The simplest needs assessment will be a quick phone call or a brief face-to-face meeting with a client, using a list of questions like the ones below.

QUESTIONS FOR A BRIEF CLIENT NEEDS ASSESSMENT

Learning more about the problem

Focus questions
Ask the person to describe the problem. Be open and non-partisan in your questions

Observation questions
What does the person see/hear/know?
What information do they have about the problem?
Try to define what the problem IS and not what the problem is NOT

Analysis questions
Probe what meaning the person sees in events surrounding the problem. (Interpretation/spin on the data)
This will help you understand their relationship to the event and how they think about it.

Feeling questions
Without trying to fix the feelings, try to discover how the person feels. Exploring this will help the person be able to move on the rest of the discussion. (Though sometimes you will have to push a bit to get them to move on.)

Strategic questions
Visioning questions
What would happen if this problem were fixed?
What would not happen anymore?

Change questions
The questions in this stage should deal with how to get from the current state to the preferred state.
Notice that there will be more than one alternative for accomplishing the change.

Consideration of all the alternatives
Try to hold no opinion at this point.

Doing nothing is always an alternative—and often one that appeals to clients.

Consider the consequences of each alternative.
What happens if we do this?
Look for short term, medium and long-term consequences.

Consider the obstacles to each alternative.

Personal involvement and buy in
What does this person bring to the equation in the solution? How can they help?
What do they need from you?

Personal action questions
What should the client do now?
What should you do now?
Do you have a commitment to each other to do something specific?
List the details of the to-dos

8-Phase Needs Assessment Model & Example

The most sophisticated or complex needs assessment – usually done for large, costly projects that will affect a number of people – will take the coordinated, well-planned time and attention of a number of staff over a long period of time. For this we might use the full 8-Phase Model. The eight phases of the needs assessment of any scope or length are:

1. Understand the Challenge or Opportunity
2. Collect Information about the Challenge or Opportunity to Support Your Thinking
3. Organize What You Learned
4. Prioritize the Client's Needs
5. Develop a Problem Statement
6. Decide if Training or Some Other Service Is Appropriate
7. Propose a Solution
8. Report Your Findings

Phase I. Understand the Challenge
When an organization has called you in to do a needs assessment, the first thing you do is to try to understand the problem and its causes. Remember that most problems may have more than one cause.

Generally, organizations will call for help when they are experiencing an opportunity to improve performance, such as buying new equipment to help implement a more efficient process in manufacturing. This might be considered a gain, but when an organization is suffering from low performance because of a problem, that might be considered a pain.

There are several categories of problems that typically plague organizations, including the following with possible solutions:

Kinds of Problems	Possible Solutions
Lack of Information, Knowledge or Skill	- Provide training (new or review) - Improve relevance or method of training - Improve the transfer of skills from training environment to the workplace - Provide on-the-job aids - Provide mentoring or coaching to improve specific performance
Absence of or Ineffective Measurement	- Create or clarify measurements - Improve communication of measurements and their usefulness
Unsupportive Conditions	- Re-organize the work place - Upgrade technology and information systems - Re-engineer work processes or positions - Remove obstacles to good performance
Absence of Standards	- Create or clarify standards - Communicate the standards to employees who use them - Consider employee feedback about standards
Insufficient Capacity	- Allocate human resources differently - Provide more human resources - Develop staff skills and knowledge to meet new challenges
Lack of Useful Feedback	- Provide feedback - Improve feedback processes - Train leaders to model feedback processes for learning
Ineffective Incentives	- Provide or increase positive incentives - Remove or reduce negative incentives (for example, remove incentive for poor performance) - Change who gets incentives - Let employees give feedback about incentives

Of all of these kinds of barriers to high performance, the first category is most easily addressed with training. In the other categories, training is useful when it helps employees understand the cause of the low performance and how to correct it by doing things in a new way.

Phase 2. Collect Information About the Challenge to Support Your Thinking
Once you understand the problem – both in content and scope – you can decide how to collect data. This phase should include investigation of:

- The problem's scope;
- The problem's causes; and
- The problem's impact on the organization (what it costs).

You will have discovered some of this information in Phase I, but you may need data to verify what you've heard.

Some common sources of data include:

- Human Resource Department records
- Manufacturing reports and production statistics
- Performance evaluations
- Safety records
- Grievance reports

The methods for collecting this information include:

- Questionnaires
- Interviews
- Observations
- Focus groups
- Job descriptions
- Policies and procedures manuals

Remember, the point of the first two phases is to help you understand the problem, its causes, and what it is costing the organization to have this problem unsolved, day by day.

Phase 3: Organize What You Have Learned
You need to take time to organize what you have learned.

- Sort the information you gathered into categories of concern or opportunity (for example: job descriptions, labor costs, legal issues, budget problems, and so on).
- Decide which issues require training or other intervention and which do not.
- Determine which content and format actions might be best for the client.

Phase 4: Prioritize the Client's Needs
Now, rank the needs. You can do this in several ways. Here are some suggestions:

- Ask the client their opinion on the priorities.
- Determine the cost of each problem, unsolved. Solve the most expensive problems first.
- Do a cost-benefit analysis. Decide what it costs to have the problem and what it will cost to solve it. In some cases, the solution will not only pay back the costs, but exceed them.

Phase 5: Develop a Problem Statement
For your review with the client, you will need to have a clear, succinct, written statement of the problem or opportunity as you see it. Do this in advance so you can clearly describe it to the client. Having this statement in writing will allow the client to educate others in the organization about the problem and the need to solve it.

Phase 6: Decide if Training or Some Other Service Is Appropriate
From what you have learned, you can now decide if the problem will be solved with training or some other service.

Phase 7: Propose a Solution
Now it is time to meet with the client and have them review the problem statement and the solution. See if it makes sense, from their perspective, before you proceed and prepare a report of your findings. In this meeting you should:

- Agree on the need(s).
- Agree on the priority of the needs.
- Decide what outcome the client would like. What would success look like?
- Decide how you will collaborate – who will do what?
- Decide to whom you will deliver the post-assessment report.
- Get buy-in from management.

Phase 8: Report the Findings
Now you should report the findings of the needs assessment to the client. The report should include:

- The problem statement;
- The cost of having the problem unsolved;
- List of needs you discovered;

- Analysis of whether or not those needs could be best solved by training;
- A recommendation for action;
- An appendix with the data collection methods and analysis explained; and
- An appendix with the data and an explanation of how it was interpreted.

This needs assessment should be enough for most multi-faceted contracts. In the special cases of much more complex projects, you should job the analysis out to consultants with the requisite experience and skills.

The following is an example of a Findings Report.

Reporting Your Findings

EXAMPLE

Problem Statement
Manufacturing defects have been a serious problem facing XYZ Jewelry Company for the last three years. By our estimations, manufacturing defects are as high as 30 percent, causing excessive and costly rework, reducing productivity, manufacturing margin, and sales.

The Cost of Having the Problem Unsolved
With manufacturing defects at 30 percent, the following are primary cost impacts:

- Although some materials can be reused, the additional materials purchased exceeds 20 percent of original purchase, costing over a year $130,000.
- The added work has increased employee overtime by 15 percent, costing over a year $75,000.
- The manufacturing defects have caused production to be 75 percent on-time, reducing sales by 10 percent or $300,000.

The total cost in increased expenses and reduced sales of having the manufacturing defects problem unsolved is costing XYZ Jewelry Company over $500,000 a year.

List of Needs Discovered
Our studies have highlighted the following needs:

1. Improved jewelry design by Product Development Team to reduce the production difficulty factor.
2. Factoring in some percentage for manufacturing defects when pricing.

3. Polishing, plating and stone setting were identified as the most problematic areas requiring manufacturing defect improvement training.
4. A better company understanding of the impact of manufacturing defects.

Analysis
Both consulting and training services can be provided to help reduce the percentage of manufacturing defects.

Recommendation for Action
The following services are recommended:

1. Facilitated discussion by a product development expert on ways to reduce the production difficulty factor and the development, implementation and monitoring of an action plan.
2. More in-depth analysis on the impact of manufacturing defects on pricing and the development of a variable cost factor for pricing of more difficult to less difficult jewelry items.
3. Polishing, plating and stone setting group and one-on-one training, as well as the development of the required skill sets and a training plan with compensation for laddered skill growth.
4. Training for the Leadership Team on building a company culture and the development of a plan to better communicate and educate employees about the impact of manufacturing defects.

Appendix: Data Collection & Analysis
The data collection and analysis methods used included:

a. Focus group meetings with employees including brainstorming and prioritizing.
b. The tracking and analysis of more difficult and less difficult jewelry items.
c. Review of employee training manuals and testing employees on expected skills.
d. Discussion with customers to determine the impact of late delivery on reorder and/or new sales.
e. Discussion with Leadership Team on their understanding of the problem and potential solutions and actions.

Appendix: Data & Interpretation
Data was interpreted as follows:

a. Brainstormed and prioritized list were compared to industry metrics and best practices.

b. 20 different jewelry item batches were processed and tracked to generate varying manufacturing defect percentages averaging out at 30 percent.
c. Work hours were reviewed to determine the number of hours of overtime required to make up for the manufacturing defect rework.
d. Tabulation of customer feedback regarding the impact of late delivery on additional sales.
e. A comparison of the Leadership Team's understanding of the issues impacting manufacturing defects compared to employee understanding.

The Cost of Needs Assessment

There is a cost to performing a needs assessments. In many cases, the cost will be minimal and without question you will absorb the cost or factor in the minimal cost when pricing to get the contract. But in other cases, the cost could be significant, and you will want the cost covered by your client.

There are four options when it comes to the cost of needs assessment.

Option #1. Do Not Charge. The cost may be minimal, or you are trying to sell a client for the first time. If you do not charge for the needs assessment, it is important the client knows you are not charging and what the cost would have been. This way they are prepared in the future if you charge.

Option #2. Embed in Contract Price. You want to charge for the needs assessment, but you prefer not to provide a separate price. You know the cost and you can factor the cost into the final contract price. You are willing to take the risk that the client might not purchase the contract or already upfront there has been an agreement that the contract will be purchased, but first the needs assessment should be performed. One question to answer is: Should the needs assessment cost be marked-up the same percentage as the contract delivery price?

Option #3. Charge for Needs Assessment. Before going forward with the needs assessment, you and the client agree on the price for the needs assessment service. Most likely a contract for the needs assessment is signed-off on by the client. Same question as Option #2: Should the needs assessment cost be marked-up the same percentage as the contract delivery price?

Option #4. Deduct from Contract Price. You provide a price for the needs assessment and there is an agreement that if the client purchases the contract, the cost of the needs assessment will be deducted from the contract price.

Time Estimates
Time estimating is critical to accurately determining the price of the needs assessment. After doing multiple needs assessment, you will have a better idea of the cost of needs assessment, so when first doing needs assessment time estimating it is best to add in a fudge-factor of 10 to 20 percent. So, if you project it will take 30 hours, you may want to price at 35 hours.

The following are tips for increasing estimating accuracy:

- On all needs assessments maintain an ongoing actual hours database of recorded time spent on each aspect of the needs assessment.
- Create and use planning documents. Be clear about the steps you will take to perform the needs assessment, so you can estimate time on each step.
- Keep in mind complexity. Some needs assessments may be more complex thus each needs assessment step may differ in time depending on the situation.
- When estimating time, include your assumptions on why you have estimated the amount of time.
- Develop a chart that you can fill in with each task, estimated time, and your assumptions.
- In more nebulous situations, you may want to agree with the client that there will be a cost for you to estimate the needs assessment cost.
- When developing your chart prioritize the importance of each step. If the price you provide the client is too high, you can then go back and possibly cut back on one or more steps, thus the price.

Costing & Pricing
In pricing contracts, the norm is to take the projected cost of the contract, for example $5,000, and requiring the $5,000 cost to be 50 percent (or less) of the final price, for example $5,000 divided by 50 percent equals $10,000. Once you know the $10,000 requirement, you may increase the price if you know you can because of competition pricing or what the market will bear. Or you may reduce the price by reducing your costs to remain competitive.

Sometimes with pricing contracts, you may decide to not price certain costs with as high a mark-up as other costs. For example, you want materials to be 80 percent of the price, so $2,000 for materials divided by 80 percent equals $2,500, while the cost of delivery must be 50 percent of the price. So, for $5,000 delivery costs and $2,000 materials cost, your price may be $12,500 instead of $14,000, which would be $5,000 plus $2,000 equals $7,000, divided by 50 percent equals $14,000.

Ideally your needs assessment services should get the same mark-up as your contracts. If the needs assessment costs $2,500, then $2,500 divided by 50 percent equals $5,000. If you do not want to charge that much, the highest you should increase the percentage to is 75 percent, thus $2,500 divided by 75 percent equals $3,350.

Using the above $2,500, thus $3,350 or $5,000 example, now we go back to the four options:

Option #1. Do Not Charge. You absorb the $2,500 cost and charge $10,000 for the $5,000 contract cost.

Option #2. Embed in Contract Price. You add the $2,500 cost to the $5,000 cost and depending how you mark up, you charge $12,500 or $14,000.

Option #3. Charge for Needs Assessment. You charge either $5,000 or $3,350 for $2,500 needs assessment cost.

Option #4. Deduct from Contract Price. You know the needs assessment and contract cost and determine your price is either going to be $12,500 or $14,000 and then you add again in the $3,350 or $5,000 but then deduct from contract price. So, $12,500 would become $15,850, but you would then deduct $3,350.

For forms and processes related to needs assessments related to specific jobs or departments, and for individual performance needs assessments, see the LERN publication created for you called 'Contract Education Needs Assessment Tool Kit.'

To Build the Best Solution Statements

When you recommend a solution such as training, you are asking a client to invest time, energy and money. Other people will be making cases for how to use the funds to implement your solution, so you'll need to make a compelling case. Your solution statement is a description of how you'd solve the problem for the company, best case. Here are some tips for writing that statement:

- Be sure to lead with what issues you think the company is trying to solve and what it costs the company in time, money and energy to not solve them, if you can make such a statement.
- Give a concise, non-judgmental description of the issues you discovered.

- Follow with rationale for solving the problem—always including why NOT solving it is expensive or more expensive in the long run.
- Describe the solution (a class, for example) you recommend.
- Give the cost to implement the solution and the time and other resources required.
- Keep the document brief and deliver it in person (this could easily be your proposal).
- Make it clear that the proposed solution can be modified to be less expensive—and perhaps less effective—and more expensive—maybe more effective by adding or deleting certain aspects of the service.
- Give a clear price for the work and suggest clear, simple next steps.
- Ask for the sale by saying, “So what do you think? Does it make sense to do this?” If they yes, suggest how to proceed.

Summary

Needs assessment is becoming more important in generating and closing contract sales. Your clients want successful high return-on-investment training, but they also want you to have the expertise to help their organization to fix problems and seize opportunities to help them succeed and grow.