



## Industry

Public

## Business Issue

Improve performance at all levels, identify actual costs of training programs

## Solution

SAS® Activity-Based Management

## Benefits

Enhanced cost allocation and efficient reporting to monitor and analyse costs, resources, variations.



“SAS enables us to instantly detect direct and indirect costs related to each of our activities.”

**Claude Bossens**  
Management Controller at FOREM

*The Power to Know®*

## Greater insight into the true cost of training services SAS® makes the most of activity-based costing

Public organizations are granted specific budgets to carry out their missions. Using those funds in the most efficient manner is one of their daily challenges. To achieve this, the Belgian employment service FOREM has implemented an activity-based costing approach for its training department. By coupling it with SAS® Activity-Based Management, the system provides clear reports on the real costs of its training programs. This enables the organization to make faster and more appropriate decisions that help optimize resource allocation.

What is the precise cost of each training program? What resources are used for which activity? How does the cost price of organizing training sessions vary from one region to another? Are costs being held within the allocated budget? By providing answers to these and other business-critical questions, SAS Activity-Based Management helps FOREM provide professional training courses with greater cost efficiency.

### Optimizing the use of public funds

Like their private counterparts, public organizations face growing pressure to improve performance. Efficiency targets are increasingly used to measure goal achievement, customer satisfaction, and service quality. FOREM, the Belgian regional institution in charge of professional training in Wallonia, is no exception. Public authorities need to be informed about the optimal allocation of resources in order to ensure that budgets are used as effectively as possible.

In 2002, FOREM established a strategy to identify the actual cost of its training programs. “Our target was nothing less than comprehensive insight into our entire internal cost structure,” says Claude Bossens, Management Controller at FOREM. “We decided to implement a series of tools designed to improve the performance of our organization at all levels.”

### Precise cost allocation

One of these tools is activity-based costing. This system precisely allocates both direct and indirect costs to the relevant activities. With 52 training centers teaching courses in more than 200 different professions and a staff of 1,015 full time equivalents, calculating the cost-efficiency of each training program is a challenging task. Activity-based costing provides a better understanding of what resources are being consumed for which training programs. The cost of raw materials, for instance, is directly allocated to the programs for which they are used. But personnel costs must be divided among the various functions they spend time on. For instance, teachers may dedicate 60% of their time to giving classes, 20% to the selection of trainees, and 20% to choosing the materials needed for teaching a specific skill. Their cost must be correctly allocated among these three different cost objects.

### Numerous types of reports

To optimize decision-making, this enhanced cost allocation system needs to be coupled to an efficient reporting application. That is why FOREM relies on SAS Activity-Based Management. The SAS application generates numerous types of reports. They enable the Management Control department to monitor the cost of training courses, of resources required, and of all aspects of the training centers. The reports can be further subdivided to analyze, for instance, cost variations depending on the nature of resources or the geographical point of use.

“These reports allow us to rapidly identify the regions and services that use more resources than average. This greatly helps in determining where efforts are necessary to reduce costs,” explains Bossens. “They also highlight the training centers that operate most efficiently, which enables us to establish valuable benchmarks within the organization.”

The SAS reports also help identify if costs vary depending upon whether students are unemployed or professionally active. This is an important element, since certain funds are specifically allocated for certain groups. The reports highlight whether these funds are used in accordance with regulatory guidelines.

### **Consolidating data from multiple sources**

Providing such detailed reports requires gathering information from a large variety of sources. That is exactly what SAS does. Cost-related information is obtained from the cost accounting system. Other accounting figures are taken from the PIA5 software, while timesheet information originates from Microsoft Access. All figures are consolidated into an SQL database from which SAS performs the calculations and produces the reports. The results are then translated into clear graphs and overviews.

“The parameters for all of these calculations can be easily defined and modified within the SAS system,” stresses Bossens. “This was an essential factor in our decision to choose SAS. On a technical level, the scalability of the application and maintenance simplicity were also of key importance.” FOREM selected SAS following an exhaustive evaluation of several suppliers based on a detailed specifications document. Other essential requirements included user-

friendliness of the reports, speed of reporting, and the quality of after-sales support. “Both FOREM and Ernst & Young evaluated all of these aspects, and came to the same conclusion: SAS clearly had the best overall rating.”

### **Further improving the quality of data**

“Implementing the new reporting system has already given us much greater insight into our internal efficiency,” says Bossens. “We have a much clearer idea of the true costs involved in each of our training services. Work is now focusing on improving the quality and reliability of the source data even further. Because the information used by SAS originates from various sources and is entered by a great number of people, the reliability of the data is not as consistent or systematic as we think it can become. Training staff to ensure data reliability at the source is therefore a high priority.”

Claude Bossens also sees potential in making the application available to regional offices. “Currently, the reports are only used by the Management Control department and paper copies are handed out to the members of staff that need them. In the future, we want to also make them available to regional directors of FOREM. I expect this will further contribute to enhanced cost awareness and efficiency within FOREM.”

### **Training across professions**

FOREM is the public employment and professional education service of the Walloon region of Belgium. Its double mission is to help individuals acquire additional qualification and find work, and help companies train their staff and recruit workers. In the first eight months of 2005, FOREM hosted more than 17,000 job offers on its Web site and provided close to four million hours of training to 28,000 people.



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