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Training in a Down Economy

By Diane Kubal and Michael Baker

The market is giving training mixed signals. While the economy and budgets are down, many organizations are committed to finding ways to continue building their staffs' competencies. Even in this context, according to an August 12 article in the San Diego Union-Tribune, "training expenditures are projected to increase in 2002." The article also revealed that for the 367 U.S. organizations surveyed, training budgets grew 10 percent between 2000 and 2001—at the recession's onset.

At the same time, you do not have to go far to realize this training bonanza is not true for all organizations. Tellabs, Lucent, NetG, and a host of other organizations are shedding training staff at break-neck speed.

All of these organizations understand the benefit of having training staff on their payrolls. However, the ebb and flow of business dictates their ability to maintain that staff and the money they are willing or able to throw training's way. Now, more than ever, companies must find the best, most strategic and most cost effective ways to train their employees.

Still Committed to Training

We will highlight nine organizations in the Chicago area (including southern and central Wisconsin) to see how they are handling training in this new economic context. The industries represented are wide ranging—from manufacturing, media, and health care, to telecommunications and information services. We discovered that all are committed to training and have training staff on their payroll.

Of the companies interviewed, six reported their organizations had been impacted by the economy, while three had not. For example, Carmen Estopare, Organization Development Advocate, Acxiom (a customer data integration (CDI) company), said her organization has been in "expense cutting mode" and has been "asking associates to think about how they can do things differently—cheaper, better and faster." At Universal Access, a telecommunications company, Terri Radcliff, Vice President of Learning &

Development, said her efforts and budget have been significantly affected.

Although three organizations had not felt the impact of the economy, only one, Forsythe Technology Inc., a technology solutions company, was increasing their commitment to training. According to Cynthia Schiro Riehman, Director of Learning and Development, "During some of our slower periods our CEO has encouraged employees to take advantage of our online learning offerings." Therefore, they see slowdowns as an opportunity to skill up. However, at SC Johnson, a consumer products company, H. Muir, Global Marketing and Sales Training Manager, said they were focusing on cost saving opportunities, which is not something the organization has been accustomed to. Training budgets have not been reduced but travel expenses have been curtailed for regional training events. And last, Cindy Schaefer-Padilla, Corporate Manager, Organization Development, Children's Memorial Hospital, said her training plans have not been affected as their funding for next year will be the same as in 2002.

Therefore, while training is alive and kicking, many organizations are looking at training with more scrutiny and asking internal staff to do more with less. SC Johnson is offering the same number of courses, although they are seeing less willingness for participants to take time away from their jobs and to fly to regional offices for training. According to Muir, "In some areas, it's too expensive and they can't afford the resources to do the training, and outside resources can be expensive, so we're doing more internally developed training."

More Strategic

Because budgets are tight, most companies are making sure their training efforts are linked to the strategic needs of their businesses. Sharon Gilbert, Manager of Training and Development at Castle Metals, a specialty metals distributor, said an employee opinion survey (EOS) they conducted last year pointed out an important need for soft skills,

safety and quality training. She added, "Few senior executives believed the employees needed more training." Then, when they saw the results of the EOS, they realized they had to offer more than sales and product training. So Sharon and her manager, Paul Winsauer, Vice President of Human Resources, developed specific training objectives and action plans that were linked to Castle's strategic objectives. Castle's new CEO put his full support behind their training efforts, which gave them the added boost they needed to move forward with their plans.

In another example of connecting training to the strategic interests of the business, Carmen Estopare also referred to a recent employee opinion survey where it was revealed that employee retention for some groups was at risk. Acxiom knows that training is an effective way to retain key employees. Estopare said, "In high-tech industries the competition is right on their heels." Therefore, without training key people, she added, "They would be behind the 8-ball."

Terri Radcliff added to this idea by saying, "We're using training and development for both employee retention and culture change, as well as, individual skill development." She said Universal Access sees the connection between training and its business strategy. For example, they have an ongoing commitment to a variety of training initiatives including: a curricula for products and services, leadership development, MS Office skills, communication skills, internal systems training and more.

At Harting, an electronics connector manufacturer and distributor, Christina Kamer, Director of Human Resources, said she saw training as an investment and not an expense. "The decision to conduct training is part of doing business." Therefore, even though the current economy has negatively impacted Harting's business, they continue employee training. For 2003 they will bring in external trainers for initiatives that demand outside expertise, such as customer relationship management programs and software classes. However, internal staff will continue to develop and deliver technical product training.

Another organization that sees training as a strategic commitment is the Tribune Company, a media organization that includes the Chicago Tribune and several

radio and television stations. Initially, loss in ad revenues brought about the cancellation of several training programs at the company. However, after visiting Boeing's University in St. Louis, Missouri, the company's senior team decided to heighten its focus on training. The internal staff was asked to develop an additional basic management curriculum and an executive management program. According to Anne Callen, Manager of Organizational Development

Services, "The senior managers saw how leadership development could help the organization over the long-term and make them more competitive in finding top-notch employees." What is so impressive about the Tribune's efforts is that while their ad revenues are still down, the management team believes training is essential to the health of the business.

And last, Children's Memorial Hospital is creating a training

template that cross-references various job and organizational competencies to particular class offerings. Since training is decentralized and offered in many departments, some of their courses address similar competencies. The training template presents the curriculum in a matrix format so employees can see the competencies addressed in each course from an organizational and job specific viewpoint. This way employees and their managers will more strategically utilize the training curriculum to build needed skills for various employee groups.

Mission Critical

A buzzword at several companies is "mission critical." Many of the companies we spoke to are focusing on training that will help their employees become more effective in getting their jobs done and in contributing to the direct success of their company. For example, at Universal Access, they need to train their employees on products and services. As a service company in the telecommunications industry, selling their products and services is their primary business. So, Terri Radcliff, the sole training practitioner, creates just-in-time programs. She said her "training design process is not as complex as a soft skills class, but it doesn't need to be." Instead, she focuses on getting the sales and service people skilled up quickly on the ins and outs of new products.

At Castle Metals, Paul Winsauer said their "mission critical" training falls into sales, systems and job

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skills training. In effect, the kinds of training that will help their business be safer and more productive. He added that many of their efforts are skewed to production and sales.

Sharon Brady, Vice President, Human Resources at Snap-On, said her organization is focusing on "a balance of their three strategic legs: quality people, operational fitness and profitable growth." Therefore, even under pretty tough cost reductions and other kinds of constraints, they have conducted a lot of training for a new performance management initiative. They have also conducted sales and process improvement training like kaizen blitzes in areas where they can see immediate results.

Changing Tacks

Regarding training budgets themselves, many organizations have flattened or reduced them. A good example of this was seen at Castle Metals. According to Paul Winsauer, "We whacked training last year by \$250,000. We reduced dollars on formal training and program development." As a result, they are making up for those lost dollars by "skilling people up" through the use of internal, on-site staff trainers such as supervisors or his HR staff.

A second tack being taken is to provide training at the very moment it is needed, not before. At Harting, Christina Kamer said for many of their employees, "We do just-in-time training." She said that she trained one manager in interviewing skills one hour before he saw a candidate. The reason for this was that, even though she would like to train all of Harting's managers on interviewing and hiring, she does not have the staff or budget to do so. So she makes herself available to those who want help and targets others that she thinks need it.

A third tack is that companies are seeing training as a privilege rather than as a right. It's also being viewed as a tool for retention vs for recruitment. At SC Johnson, H. Muir said, "Previously people took training for granted. In a slower economy, the opportunities for training are less frequent so participants see training as something special." When the economy goes down, the opportunities for training go down." Similarly, Paul Winsauer at Castle Metals said, "Training and development is a perk for employees." He added that

training participants receive skills that enable them to do their jobs better, but nonetheless, training has become special.

A fourth tack being taken is to focus more on getting the training delivered than on its outcomes or quality. According to H. Muir, at SC Johnson, "Now we create, develop and launch a course and maybe tweak it after the first pilot. That's it. We don't go back and redesign, we just refresh as needed. We struggle with measuring the impact of training beyond after-class participant evaluations because it takes additional resources. We'd rather apply those resources to developing and delivering new courses that are needed—it's a tradeoff." He added that he was not sure of the impact of those classes as they do not measure beyond after-class, participant evaluations.

Redefining Training

If necessity is the mother of invention, then many of the training managers we spoke to are thinking creatively about the best ways to add value and stay relevant. At Snap-on, they will implement more communications that include presentations and printed materials to reiterate major corporate strategies. The goal of this effort is to reinforce major messages that are being used to help bring about culture change.

Another new initiative at Snap-On will be a leadership conference for their top the 65-70 managers that will take place this year. The conference will focus on the key messages of Snap-On's strategy as well as defining leadership competencies and clarifying management's expectations for its leaders.

Forsythe Technology also revamped their communications strategy this year. Cynthia Schiro Riehman said that over the past year she helped their CEO put two communication vehicles in

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place. The first, Forsythe Forum, is a quarterly conference call with the CEO and CFO where, "they provide a 30-minute, top-down, state of the union for the quarter about business results and where the company is." Next, Forsythe created a vehicle for employees to communicate back to executives called the "Breakfast of Champions" based on the breakfast cereal "Wheaties" theme. Here Riehman said, "Employees share their ideas on what needs to be improved and provide recommendations directly

to senior management.” Some of the outcomes of these meetings have included more ownership, problem solving and solution execution by employees. She said, “It’s been a big hit so far, and very positive.”

Another creative idea came from Acxiom where they are teaming analytical consultants with business development staff. Two outcomes of this are better educated sales people and customers who see Acxiom’s sales executives as a trusted advisors, not just commodity vendors. According to Carmen Estopare, there is a push to develop and deliver training from many different parts of the organization. Along with this effort they have worked toward providing incentives for people to train others in addition to performing their regular jobs. Estopare said this works because it’s part of the cultural expectations at Acxiom.

At SC Johnson, H. Muir said they are encouraging managers to facilitate less formal training where people can get together to share best practices. He added, “We are less dependent on content and more on just creating an opportunity for people to learn.” For example, Muir has the internal client define the business issues and lets them address it and come to their own conclusions to apply learnings to their business. He provides managers with tools and job aids on “how to’s” for best practice sharing and implementation. This saves the company the expense of flying him out to consult with the team. This approach was used about a half dozen times over the last 18 months, mostly with sales groups. The focus of these initiatives is on the short-term, things that are going to help people right now. A long-term benefit of this approach is that managers learn to conduct these types of sessions on their own to address future needs.

In conclusion, training is an important facet of organizational well being. But, its look and feel are changing. More training is being done internally than in previous years. Interventions are becoming just-in-time. Links to overall strategies are becoming essential. And quality is taking a back seat to immediate needs. Given this environment, successful training personnel will find new and relevant ways to improve their organization’s effectiveness.

Diane Kubal is the Principal of Fulcrum Network. Michael Baker is Vice President, Client Services. Fulcrum Network is a national consultant matchmaking firm that specializes in training, human resources and organization development based in Chicago, IL. For more information contact Michael Baker of Fulcrum Network at mb@fulcrumnetwork.com or 630-653-5600.