

Preventing
organizations
embarking training
budget and
programme cuts



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The skilled workforce is the core asset of any organization; retaining , maintaining and building on the skill set or knowledge base of the workforce is paramount to the survival of an organization, most especially during an economic downturn, when competition within the industry is at its peak. Cutting back on training or deferring training programs due in the coming months will be devastating to the organization, such acts will impede the ability of the organization to compete effectively during the economic downturn and also reduce its agility to get back to speed when the economic downturn comes to an end-which is just a matter of time.

A cut back on training program will send a wrong signal to the workforce, management's lack of interest in their professional development, thereby reducing the workforce morale. Evidently, cost cutting will have to be done in some areas of the business to reduce overhead and operating cost, however, training which delivers a core value to the organization overall productivity is not such an area. Management should analyse the organization value chain to locate areas for potential cut cost that won't undermine the organization competitiveness and productivity while re-engineering training programs to deliver pertinent development needs at reasonable cost.

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Introduction

The current global recession has led many companies into making cost-cutting decisions so that they can survive the period and compete effectively. Evidently such cost cutting decisions are necessary for the survival of organizations since the recession is a macro-economic effect that ripples through every sector of the economy impacting the spending capability of both households and business organization. Such an uncertain period makes an organization to really examine its operations and value chain to look for areas that can be de-emphasised for the purpose of cost reduction. However , such a cost-cutting mission must be embarked upon with a thorough analysis of the organization value chain and its dependencies.

It will be an act of self sabotage for an organization to eliminate a component of its competitive advantage all in the name of cost cutting, which will be tantamount to throwing the baby away with the bath water.

When an organization is making a strategic decision such as cutting down on

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training budget both the short term and long term implication of such an endeavour must be considered.

Besides surviving the recession period the organization should try as much as possible to position itself for the post-recession period. Cutting training budget will undermine the human resource capability of the organization and can send a wrong signal to the organization workforce on the intent of management towards their professional development.

This report will discuss reasons why cutting down on the training budget and deferring any training programmes due in the coming months will not be a good decision for the organization in the recession period. To buttress this analysis , cases of organizations that have exemplified the ethos of continued training for the workforce in period of recession will also be discussed.

Organisational training and development

The organization can be seen as a collection of people working on individual tasks that lead to a fulfilment of an organization objective. Organizational training is an instrument that is employed by the organization to help individuals with different goals and skill sets to contribute effectively to the common goal of the organization. The organization is an entity that presents a particular personality to its stakeholders (clients, shareholders and the society). The Human Resource department of an organization is charged with the task of organizing training and development of the workforce in line with the organization needs and the individual capability and function within the organization. Robbins S. & DeCenzo D. (2008: pp. 169) define employee

training as ' a learning that seeks a relatively permanent change in employees by improving their ability to perform on the job'. In essence, training is a tool to influence the performance of the workforce.

It is imperative for a business that wants to stay ahead of its competitors, especially in a turbulent period, not to neglect training and developments of its workforce. Cut back in consumer spending makes competition within the industry to be very fierce during recession. Hence a company will need to improve the quality of its product, services and customer engagement programs. This can only be achieved through a well-trained workforce. As an old adage says, ' necessity is the mother of invention'; the harsh economic period sometimes propels organization into diversification or vertical integration in order to survive. Such organization transformation requires significant level of workforce training. Training will enhance the corporate image of an organization, since well trained personnel will adequately represent the organization before the public, also proper training will promotes the organization climate, productivity and employee morale.

Regardless of the economic situation, organization will have to conduct periodical performance management of its business process and its workforce. Training plays a key role in organization performance management (Gary Dessier, 2005, pp 270), it is considered as an integrated process that employers use to ensure that employees are working towards the organizational goals. A study conducted by The ASTD 2003 State of the Industry Report states that training strongly influences organizational effectiveness, with a higher effect than feedback and appraisal and just below goal-settings in its effect on productivity. All these facts underscore <https://assignbuster.com/preventing-organizations-embarking-training-budget-and-programme-cuts/>

the effectiveness of organization training to the survivability and growth of an organization.

Workforce Perception of training

Training and development is not only beneficial to the organization but also to the employees. An employee will be more dedicated and committed to the organization objective when his/her own career development is perceived to be taken seriously by the organization. An organization will obtain the maximal return from its investment in human resources when the workforce is motivated enough to give its best. Research has shown that there is a direct correlation between an employee's engagement level and his/her contribution to the organization objective. The engagement level of employees will experience a jump when they believe that the organization has their best interest at heart too and this can be reflected in how serious the organization takes employee growth and development via training and development programs.

Main Discussion

It is always good for an organization not only to look inward for solution to its problem but also outwards, when an organization is facing a challenge or area to cut cost during a recession beside looking at its value chain it can also look at how the major players in the industry or similar industry are approaching the issue. Moreover, an organization should not just be fixated with surviving now but it should also look at continuation of business when the recession is over. A strategy that will make an organization to survive during tumultuous business cycle and also to continue business in a favourable business cycle separates the boys from the men.

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As it is well known that no organization can survive on the long run without a dependable and productive workforce. Reducing the productivity and morale of your workforce, by cutting down on training and development budget can make you survive the tumultuous business cycle, but it will inadvertently render you struggling and left behind when the recession is over, playing catch-up with competitors in the industry that still have their workforce intact and agile. It is a common practice by organizations to cut back on hiring and probably prune the existing workforce to reduce operating expense, this act as prudent as it might seem leaves fewer staff on board to do more work. Providing effective skill training for the remaining staff will enable them to cope with extra workload and gives them a sense of security.

Surviving recession by training

To buttress the suggestion of not cutting cost on training or deferring any training program coming in the coming months, we will examine how some industry leaders that have taken similar stance survived the recession and still remain competitive after the recession.

Southwest Airline

The dot-com bubble coupled with 9/11 attack brought a recession period to USA in the early 2000s, the unfortunate 9/11 incidence hit the airline industry like a sledgehammer. Southwest Airline managed to survive the recession and also turned a profit. The strategies that helped the company through the tumultuous period include: a training structure that instills the unique Southwest culture in every newly hired employee, strong cost-savings policy and a consistent management style.

Southwest embarked on strategies to survive the down time, the company utilized the money already put aside for rainy days, secured a credit line for \$435 million, reduced capital spending , scaled back on hiring . (Taylor, 2003). Several ways of saving during hard times was engaged. However, there was no cutback in training. Southwest plan was not just to survive the recession but also to come out ahead, and this would not have been possible without a strong and motivated workforce. The overall training budget was actually increased and southwest's training facility -the university of people- was able to preserve its funding , adding new courses , educating workforce on coping with the emotional impact of 9/11 and new security measures. Southwest adjusted its training program to meet areas where it is most needed and for the training delivery to be more efficient employees with more influence on the front line of service were given special focus on training, the need for personnel to travel to a central place was reduced by having trainings delivered at the workplace

Southwest considered investment in continuous training of its workforce and maintaining their morale during the recession as part of its core strategy to surviving the tumultuous business period.

Dell Inc

Dell develops, sells and supports computers and related products and services. According to Taylor, (2003) a renewed commitment to training and cultured helped Dell to get through the ultra competitive recession years of early 2000s. Dell worked behind a philosophy that ' An informed employee, who's thinking about the firm's performance as a whole, will be more apt to work efficiently and find savings on a micro level' (Taylor, 2003). This <https://assignbuster.com/preventing-organizations-embarking-training-budget-and-programme-cuts/>

philosophy made the company to pursue a training program that is relevant to the business and contributing to the bottom line. By combining a business focused workforce training and a business process initiative Dell was able to experience substantial cost savings to survive the recession and still remain competitive afterwards.

The above illustration strongly supports the case for retaining training budget during recession. In the stead of doing away with training during recession, management should rather focus on ingenious ways to make training more directed and effective.

Streamlining training programs to deliver the expected value to the pertinent needs of the organization at a reasonable cost, by taking advantage of alternative cost effective training methods such as Just-in-time (JIT) training, e-learning, Audiovisual-based training, simulated training and Computer-Based Training.

Benefits of retaining training budget during recession

It is evident that cutting back on training budget might not be a solution to survive the recession most especially on the long run. A research conducted by Charlton John in 2008 showed that training is a key component of a company strategy for survival or adaptation during recessionary periods, and also for growth in better times. Practices by some organizations during recession as reflected by Southwest Airline and Dell Inc also supported the claim that retaining training budget during recession is a formidable strategy that can see an organization through the recession period. A study conducted by university of Cambridge researchers Cosh, A., Duncan, J. &

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Hughes, A. (1998), that examined the relationship between investment in training and organization growth and survival during good and bad economic condition showed that there is a positive correlation between formal training and organization growth. Notable upsides to retaining training budget that an organization can accrue by adopting this strategy include:

Workforce loyalty

Periods of economic downturn has always make employees edgy and uncertain about their position within the organization. Cutting down on the training budget will exacerbate this uneasiness, this action can be interpreted by the workforce as lack of commitment by management to the workforce growth. In fact, employees with impression that training is contingent to their relevance within the organization due to their role might see themselves as very disposable and next to be cut down. On the other hand, organization commitment to continue training during recession will increase the workforce moral and reassure the workforce that management still value their growth and contribution to the organization.

Competitive edge

Investment in workforce training will position the organization for effective competition when the recession is over. Organizations that relented efforts on training during the recession will have to start mobilizing its training facilities after the downturn, inadvertently having to play catch-up with a competitor that had the foresight to continue training its workforce during the downturn.

Customer satisfaction

Consumer spending has been observed to be generally low during recession. Households and businesses try to cut back on their expenditures and spending, this frugal act makes the competitive landscape a tough terrain. An organization that desires to thrive and survive in such a hyper-competitive environment will do all it can to deliver optimum service to its customer. An organization that can recognize that training of its customer facing workforce is a priority will be able to reap the rewards of customer satisfaction and return business.

Conclusion

The importance of a knowledge workforce to an organization can not be over-emphasized. In fact, it is considered by some school of thought as the core asset of any organization. It is the duty of the organization management that this core asset is retained, maintained and developed. Workforce training is a major aspect of developing this core asset-knowledge workforce- and cutting back on organization investment on this part if its value chain could be disastrous to the survivability and business continuation of the organization most especially during an economic downturn. Several academic researches have shown that cutting back on training during an economic downturn is a recipe for disaster. Obviously cost cutting is necessary during an economic downturn , but the knife should not be put at the strength of the organization-workforce training-rather it should be nurtured to deliver pertinent knowledge needs to survive the recession and beyond in a cost effective manner.

Recommendations

I recommend that the senior management should neither cut down on training budget nor defer any training programs in the coming months but rather conduct a strategic analysis on the business value chains and expenditures to find other areas where a tangible budget cut is needed to reduce the organization expenditure during this recession period

Since it is quite obvious that training is not a luxury especially during recession, I recommend that management should explore ingenious training delivery channels that can make training more efficient and cost effective i. e. Just-in-time (JIT) training, e-learning, Audiovisual-based training, simulated training and Computer-Based Training