Take Advantage of Training Programs

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The scenario: Cost-cutting leaves little room in the budget for staff-development initiatives. A company whose competitors have ditched training programs altogether is tempted to follow suit.

The tactic: Invest in training wisely, focusing on programs that will help you hang onto A players and prepare your company to rebound after the recession.

Like travel budgets, workforce training programs often fall into the superfluous-spending category when companies need to make cuts. Overall training spending for rank-and-file workers, managers, and executives in U.S. companies dropped 11 percent between 2007 and 2008 — from $58.5 billion to $56.2 billion, according to Bersin & Associates, a research and advisory firm focused on learning and talent management. Midsize companies, which lack the resources of the Fortune 500, have cut per-learner spending by 48 percent. But doing away entirely with leadership and development initiatives comes with serious costs. “When you pull back on training, you’re sending the message that there are no long-term opportunities here,” says Pennsylvania State University management professor Gary Lilien. And that, he adds, can trigger a domino effect. “Assertive competitors will pick off your best people and in a few years, you end up with only B- and C-level employees.” The moral of this story: Companies that can afford to keep training as part of their regimen will position themselves well for a rebound.

Training of managers and executives is the highest priority for obvious reasons: They guide the development of rank-and-file employees. High-turnover departments such as sales — which typically account for 30 to 40 percent of a company’s training costs — are a good place to focus training dollars, in the right way. Developing talented sales managers who can in turn coach reps is a better investment than sending lower-level employees around the country to attend pricey seminars.

That’s not to say that executive training is inexpensive. To make the most of these dollars, many companies are sticking to basics, like financial and leadership courses that are particularly critical when balance sheets are tight, says Whitney Hischier, director of the executive education program at the Haas School of Business. At Stanford, execs are taking general management and leadership and strategy courses, says Priya Singh, managing director of programs for the Office of Executive Education at Stanford’s Graduate School of Business. Newer niche programs, such as Stanford’s 10-day $23,000 class called “High Potential Executives,” may be put on hold this spring or until after the recovery, Singh says.

Pfizer is one company that makes training a priority regardless of the economic circumstances. In 2003, when the country was still recovering from the last recession, Pfizer doubled down on its employee-development initiatives. According to *Training* magazine, the drug company devoted “an unheard-of 15 percent of payroll” to learning activities, developed a corporate-wide leadership development council, and created a new department headed by a statistician to measure the effectiveness of its training. With increased attention on employee development, Pfizer decreased sales turnover, saving the company an estimated $2.4 million in new training costs. Even though

Pfizer is undergoing a complete reorganization this year, the company plans to invest in a new leadership development model to increase its focus on line managers.