



# CLI Whitepaper

## Keeping Training Alive in a Recovering Economy

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# Summary

The Corporate Learning Institute takes a look at the impact our economy has had on organizational training initiatives. CLI conducted a survey that reveals what organizational leaders are doing to cope with ensuing budget cuts and the continuous need to develop leader and team performance. We thank those CLI clients who responded to the survey and allowed us to better understand how to help organizations achieve their current training goals.

## Introduction

The recent economic recession has impacted the world's economy in ways unfelt for decades. Infrastructures have been torn apart, and unemployment rates have risen to shocking heights. But through all the economic, fiscal, and career debilitating losses, many feel that there still remains a glimmer of hope for as economic recovery. (George, 2009).

Organizational leaders and professionals know all too well that when a dip in the economic cycle occurs, pressure from both outside and inside a business forces cost cutting and reductions (Paradise & Mosley, 2000). Management balances budgets by eliminating performance development programs and training initiatives that they feel are either needless or of no significant value (Minton-Eversole, 2010). While this may be seen as short-term thinking, Training and Development professionals are accustomed to being the first in line for the chopping block (Coleman, 2009; Phillips, 2009).

As reverberations of the recent recession continue to trickle down, organizations now face a daunting set of challenges to pick up the fallen pieces. At no time in recent years have leaders been placed under more pressure to aid in this reformation than now (Coleman, 2009). Survival (or a bailout) isn't a certainty anymore, and organizational leaders are being sent to the front lines to lead businesses toward an unknown future.

As early as 2007, when signs of impending doom were being broadcast throughout the world, organizational training and development cuts, including team building and leadership training, felt the notches of the “belt” tightening (Taylor, 2010). Thoughts of future leaders and learning initiatives gave way to keeping one’s head above water.

When economic difficulties arise, as we have seen, the costs of training and development programs have often times been the victims of reduction or annihilation (Paradise & Mosley, 2009). Findings from a study done by the American Society for Training and Development and the Institute for Corporate Productivity, found that budget cuts are not uncommon during dismal fiscal times. Approximately 43 percent of those surveyed showed that budgets for learning and development were reduced to some degree during times of economic difficulties (Paradise & Mosley, 2009).

With this most recent recession, Author Lynn Taylor (2010) detailed the important need to maintain employee training, even in tough economic times. In her article, *Put Leadership Training on the Front Burner*, she cites a 2008 study conducted by Expertus, a learning service firm, where 48 percent of the 84 corporate and government training professionals that were surveyed indicated 2009 training budgets were going to be decreased significantly. Those figures rose from 41 percent from the previous year (Taylor, 2010). As we see from these results, organizations haven’t been afraid to cut learning and development budgets. Those actions have repercussions though that are both short and long term. Nearing 2011, those organizations that held their playbook too loosely may be second-guessing their play-calling.

It appears that some organizations realize the impact of reducing or eliminating training throughout their organization. The Boston Consulting Group led a global executive survey which focused on the significant role that leadership development plays within organizations. Executives surveyed within the U.S. indicated that leadership development was the second most critical human resource issue they faced (Hansen, 2008).

## Additional Problems

Adding insult to injury, it can be seen that eliminating or even reducing leadership development training has secondary casualties. In any organization, developing leaders need to be given adequate opportunities for development, and the slashing of learning initiatives lowers morale, reduces skill acquisition and employee engagement. In addition, reduced or eliminated training opportunities drain organizational productivity. (Taylor, 2010). The snail-like progression of growth coupled with deficient leadership development produces a waiting state within organizations (Parks, 2009). This complacency and frame-by-frame movement fails to place businesses in positions to be proactive and combat the difficulties within this post-recession economy and breeds reactivity (Coleman, 2009). Given the real need that organizations have to cut spending, and the impact this has on developing an adequate performance pipeline, the question becomes one of considering the next strategic step to serve both purposes.

## Possible Solutions

Where budget cuts and lost jobs have been the norm since 2007, signs of strength within the economy are slowly but steadily becoming apparent. We now have more opportunities to revitalize leadership training in organizations (Taylor, 2010). Organizations can become proactive once again through learning and development initiatives on a fiscally conscientious basis. Even though budgets are still decreased, organizations can review their strategy, and select those needed training and development options as smart investments (Minton-Eversole, 2010; Taylor, 2010). Engagement, morale, motivation, and performance increases through reinvigorated training and development opportunities and help companies make money (Coleman, 2009; Minton-Eversole, 2008).

What lies ahead for training initiatives within organization? Whether or not current management sees the need to invest in learning as a role to instill the competencies and knowledge needed within the next generation of leadership is yet to be seen (Burns, Bingham & Galagan, 2010; Johnson, 2009). What is

readily evident, though, is the fact that a new generation of leaders is emerging and with leadership development these individuals stand a greater chance of positively influencing an organization's long term goals (George, 2009). Mercer CEO Michele Burns states it best; "There are times when you have to invest in learning, even at the worst of times, because it will make the difference between success and failure (Burns, Bingham, & Galagan, 2010).

## Summary of Key Findings

- The economic developments of the past few years have decreased organizational training and development budgets including leadership and team development.
- Information has been collected worldwide from CEO's, executives, and organizational leaders documenting the fact that training and development budgets, including leadership development opportunities, are cut during poor economic activities.
- A lack of leadership training and development within organizations impacts a business psychologically, fiscally, and developmentally.
- A resurgence of leadership and team training opportunities and initiatives is essential to provide tomorrow's organizational leaders with the knowledge, skills, and abilities to raise organizations from the recession depths.

## The CLI Client Survey

The Corporate Learning Institute distributed a survey to a client base of 1200 organizations which asked clients about their leadership and team development practices in this recent economic recession. It was our null hypothesis, and assumption, that the economy had affected our client organization adversely, causing a decrease in available training funds and development opportunities available for employees and the organization as

compared to pre-2007 conditions. Our assumptions were that if development had been suspended, it would weaken motivation and/or growth which in turn would hinder organizational performance and/or profitability. We believe there are steps organizations can take to offer development opportunities despite the down economy.

To answer our questions, we submitted a mass survey to all of clients asking them to provide us with information pertinent to the effect of the economy on their leadership development practices and utilization. From the results gathered we offer the following feedback:

1. Our client organizations have felt the pressure from the recession and have taken actions such as recruiting talent internally, cutting outside consulting work, and strategically evaluating the efficiency of both training and selection processes.
2. Leadership and team development training is still being instituted within a majority of our client organizations yet the breadth and level of opportunity have been decreased due to recession and economic effects.
3. Even though changes have had to be made concerning training and development initiatives within our client organizations, strides are being taken to provide employees and leaders with continued opportunities for training and development.

## Conclusion and CLI Recommendations

In a recovering economy, it is important to provide training and support services in a budget-friendly manner. Not only is training a motivational and engagement tool, it is also necessary for developing the leadership pipeline in your organization. We offer three vital recommendations to your organization:

1. There are many cost-effective options open to organizations to offer cost-effective training solutions. One is to use web-based training programs or inexpensive seminars such as these offered by Skillpath. We advised one organization to create a "Leadership Academy", with a series of cost-effective training opportunities for attendees to complete.

2. Prioritize your training needs and out your available budget money where you see the greatest need. Perhaps conducting a “SWOT” analysis would be a useful way to determine the training needs that you have.
3. Work with training firms and consultants who will adapt their training services to meet your budget needs. It never hurts to ask, and most professionals should be invested in your needs. When clients ask us to negotiate fees or training services, we collaborate on training alternatives, and fitting in with the framework of their fiscal and time limitations.

If you have some good ideas or thought-provoking suggestions for keeping training alive in a recovering economy, contact Dr. Susan Cain at [scain@corplearning.com](mailto:scain@corplearning.com).

# References & Further Readings

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