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Training critical in hard times

In an economic downturn, one “overhead expense” that is often cut is training; not just the training of new employees, but also programs that enhance existing employee skills. For small businesses, the attraction to reduce expenses by cutting down on training is particularly strong as price competition intensifies.

What is forgotten is that training costs can often be recouped in the short-term due to the increased employee productivity. For instance, many new sales associates are limited to a day of “shadowing” an experienced salesperson. Studies show that salespeople – who have the highest level of attrition in business – leave their jobs within the first six months due to poor training that prevented them from being able to sell effectively and NOT due to higher paying opportunities found elsewhere, as believed. Costs avoided by reducing such employee turnover are high. Research indicates that costs associated with recruiting, screening, interviewing and training a new employee can be as high as 140% of the salary for the position being replaced!

In addition, company-provided skill enhancement programs demonstrate management trust and concern for existing employees’ abilities to do their jobs well and become better positioned for future in-house career advancement opportunities. Providing mentoring, cross training, online learning and/or education reimbursement should be seen as long-term employee investments, rather than short-term expenses. These efforts positively affect employee motivation levels, which positively affect their productivity; in other words, fewer employees producing greater results.

In times of economic crisis, the companies that panic and cut important expenses such as training, advertising and/or R&D come out the other end of the crisis poorly positioned to exploit new market opportunities. Keeping employee training intact during hard times is particularly critical because reduced attrition, increased productivity and development of a cohesive company culture bode well for the firm preparing for “better times.”