

Taming the Wolf at the Door

Learning and Development
in an economic downturn

A survey by Common Purpose

“Prosperity is a great teacher; adversity a greater.”

William Hazlitt (English writer, 1778 – 1830)

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About this survey

This survey was conducted online in April 2008 amongst a UK-wide sample of HR and Learning and Development professionals.

The respondents were drawn from the private (34%), public (46%) and voluntary/not-for-profit (20%) sectors.

There were 120 respondents, all of whom were of director or managerial level in their organisation's Human Resources or Learning & Development departments.

Seventy two percent of respondents were responsible for part or all of their organisation's training and development budgets.

The quotations from respondents used in the report typify consensus views.

Foreword

The success of any organisation is driven by the creativity and talent of its people. When creativity and talent isn't nurtured, and even worse when it is harnessed, it withers and dies or walks out of the door.

The most vital time to nurture creativity and talent is when economic uncertainty causes the most gifted people to be concerned about their future. Ironically, this is the very same time that unenlightened organisations turn their back on creative learning and development.

The quotation on the front of this publication: "Prosperity is a great teacher; adversity a greater," is as true today as it was when it was written two hundred years ago – and it illustrates perfectly how we continually fail to learn the lessons of the past.

As economic storm clouds gather, many organisations cut their learning and development budgets in a misinformed attempt to see them through the tough times. This is entirely understandable, yet these are the very same people who will be looked on to both pull through, spot the growth opportunities and accelerate out of an economic downturn.

The war for talent doesn't go away in a downturn; it intensifies.

Enlightened organisations don't underestimate the value of their most precious assets – or the cost of rebuilding those assets.

It is encouraging that this research revealed widespread awareness among HR and learning and development professionals of the long-term negative consequences of making short-term savings on staff development. There was awareness of the danger of reducing productivity and damaging staff morale. This is most keenly felt by experienced professionals who have previously witnessed how the long-term mission of organisations can be derailed by short-termism.

Most worryingly, the survey also reveals their concerns that these cuts will still be made.

Cutting training is a quick and easy economy to make - and developing staff can wait for a while, can't it? Sadly not. In fact, this policy sends a pretty clear message to the people whose talent is the most highly valued, that the organisation's commitment to their learning and development is short-term and wafer thin.

This is what I heard from a senior executive at an investment bank last week. Exasperated, they said: "We have slid back with terrifying ease to the old ways. We cut waste and overlaps and then we proceed to cut out exciting people we were fighting for last year. We decimate high performing teams thinking that it will be easy to recruit them again in 18 months. We delete the diversity mantra we were pumping out last year – never mind the daunting re-recruitment task. How will we get the new generation of talent not to see the people stuff as hot air next time?"

Finally, this survey tells us that organisations need to focus on the importance of a healthy leadership pipeline. Talent is expensive to recruit. Cutting the development budgets will undermine the organisations ability to grow the leaders needed to thrive through the downturn.

Julia Middleton, Founder and Chief Executive, Common Purpose

Key findings at a glance

HR professionals are planning for an economic downturn and are taking steps now to prepare their organisations by considering a reprioritisation of where the learning and development spend is allocated.

A primary concern is to ensure that their organisation is well placed to take advantage of opportunities when the economy gets back on track.

Over half of the respondents are concerned about keeping key talent – the very people that will make the organisation successful both in the short-term and in the years to come.

Experienced HR professionals who have managed budgets during previous economic downturns offered words of warning regarding the impact of budgetary cuts, with consequences ranging from a drop in staff morale to the loss of high potential staff. They also offered their insights into how an economic downturn can be successfully navigated.



Only 3% of HR and Learning & Development professionals who had held budgetary responsibility during a previous economic downturn said that cutting the budget did not have negative consequences. The negative consequences mentioned included “limited ability to fulfil organisational goals.”



52% of respondents are worried about retaining key staff during an economic downturn.



53% of respondents stated that the short term benefits of training reprioritisation and cuts will have long term negative consequences.



62% of respondents expect that an economic downturn will require them to reprioritise the type of learning and development offered to staff. They expect that team-building and soft skills development will be hit hardest, while technical skills training and (perhaps surprisingly...) leadership development, will be the least likely to be cut.

Shrinking Learning & Development budgets

Disappearing competitive edge.

HR professionals recognise that developing key staff will be essential to weathering tough economic times. The most experienced HR professionals felt this most keenly having experienced previous similar economic turbulence.

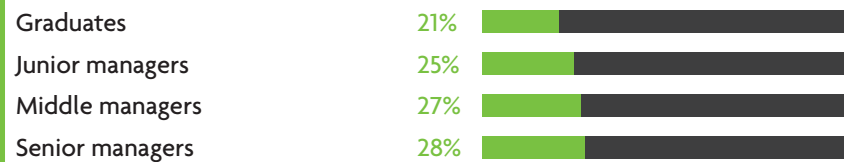
The respondents' expectations for their budgets ranged from conservative to bleak only 2% expect their Learning & Development budget to increase, while 54% believe that it will remain the same and 44% are expecting a cut of 20% or more.

Of those HR professionals who are expecting a cut, 62% will be reprioritising their budgets and the type of training and learning opportunities offered to staff within their organisations as follows:

Which types of training and development will be cut back?

Technical skills	6%
Leadership development	10%
Diversity	13%
Team building	32%
Soft skills	33%
Non-skill specific training	53%

If there is an economic downturn, will the training for certain staff groups be reduced? **Yes**



Of the respondents who are expecting to have to refocus budgets, it is assumed that investment in technical skills will continue and that soft skills and team-building are likely to be the hardest hit. HR and Learning & Development senior managers are generally concerned that this approach is short-sighted investing in technical skills at the expense of soft skills will lead potentially to an erosion of morale and trust in their organisations, and at worst, leave those left behind with a narrower skill base from which to tackle broader roles.

Interestingly, leadership development investment is perceived as being likely to be more resilient. This seems to reflect senior HR professionals' views that effective leadership will be crucial in the future retention of key talent.

The cuts are predicted to be fairly evenly spread across the organisation although, as the chart below illustrates, the more senior the manager, the more likely they are to see a drop in the investment in their development.

Worryingly, 53% of those questioned think that any short-term benefits of learning and development reprioritisation and cuts will have a negative impact in the longer term.

Those HR professionals who have managed the Learning & Development budget during economic downturns in the past are even more pessimistic. Only 3% think there will be no negative consequences to budget cuts.

"We took the view that maintaining our levels of employee development would ensure that we were ahead of the competition when the downturn was over. This proved to be the case as most competitors cut training budgets significantly."
 Head of Training and Development, Hidden Hearing

The negative consequences

A false economy.

Those respondents who have managed a Learning & Development budget during a previous economic downturn are concerned about the consequences of cuts in staff investment.

They reported that previous training and development cuts slowed the pace of organisational change and contributed to the erosion of management and leadership capability. It also led to a loss of staff.

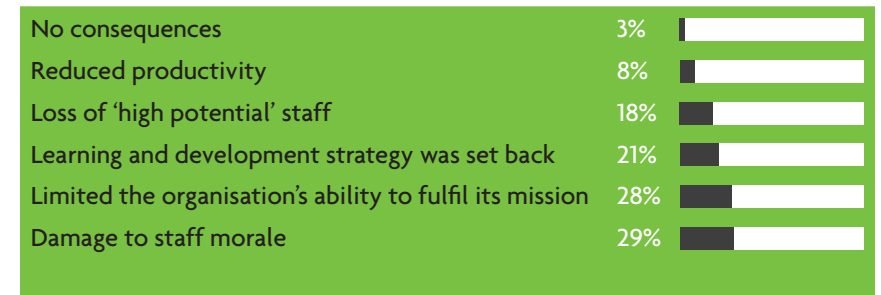
It is felt that the most concerning aspect of budget cuts is that they limit an organisation's ability to fulfil its mission. Learning and development cuts can be a false economy if they diminish the vital source of ability, inspiration and motivation needed for the organisation's future success.

Fifty two per cent of respondents were concerned about retaining key talent during an economic downturn. The belief is that talented managers - those most likely to give an organisation its competitive edge - may be the first to move to another organisation if commitment to their development starts to wane. It is thought that shrinking Learning & Development budgets will only serve to exacerbate this situation.

Some even reported a catch-22 situation where talent was being squeezed out of the organisation at both ends of the experience scale.

"During the downturn we made many older, more experienced members of staff redundant, while cuts to training and development prevented us from bringing on new talent who were subsequently required when growth came along."
Training Manager, private sector, Scotland

When asked about the consequences of previous Learning & Development budget cuts in their organisations, responses were as follows:



Based on knowledge of how their organisations had been affected by cuts during previous economic downturns, respondents were able to provide further insight into likely outcomes to budget cuts. These included:

- a slower pace of organisational change
- damaged 'employer of choice' aspirations
- contribution to the erosion of management and leadership capability in the organisation
- a difficulty in retention and recruitment of staff as learning and development is listed as a key benefit
- a lack of focus on change and development resulting in short term tactical thinking and actions
- erosion of skills in people development, which took a long time to rebuild.

"Keep pushing for L&D to be top of the agenda. We need to support managers and employees through this period even more effectively. Senior managers need to invest for the future upturn."



Only 10% of HR professionals who are expecting a cut say that leadership development will be cut back.

Learning from experience

Invest to survive - and thrive.

When asked what advice they would give to their peers during an economic downturn, HR professionals consistently urged their peers to play the long game, avoid knee-jerk reactions and think strategically about where the organisation will need to be when the economy shifts again.

There is consensus that employers should not lose the momentum of previous investment made in training and development, but should attempt to play a longer game, keeping overall strategic goals firmly in view.

"Remember that short term gain doesn't always lead to long term benefits, and that for every downturn there has to be an upswing, so going slower with training is better than cutting it altogether. Once things improve, you have less training to do."

HR Manager, AW Hainsworth & Sons

"Don't panic or get into knee jerk reactions. If HR really is operating at a strategic level you have a real opportunity to show how well thought out people strategies can add value to the business bottom line."

Training Operations Manager, Scottish Prisons Service

Respondents were keen to stress that their organisations need to show commitment to future learning and development, whatever the economy throws at them – and that this is a particularly vital message for the most valued talent in their organisations.

"If you want to cut a leg off your organisation for short-term gain, then cut back on training. If you want your organisation to continue to flourish during an economic cut-back, maintain training standards and levels."

Several respondents also highlighted the need to gear up for the 'first-mover advantage' when coming out of a downturn.

"From my experience the organisation actually invested in training and development during an economic downturn. This contributed to the organisation becoming market leaders as the economy improved."

HR Director, Leicester Theatre Trust

"Keep pushing for learning and development to be top of the agenda. Senior managers need to invest for the future upturn."

Learning and Development Manager, London Borough of Newham

Conclusions

advice from the professionals

The strong messages arising from this research are that employers across all sectors need to go the extra mile towards retaining their most valued staff during an economic downturn and that a strong commitment to learning and development is a crucial component in this process.

The research findings send a clear message from HR and Learning & Development Senior Managers to CEOs; that their organisations' futures are based around the ability to take advantage of the "first mover" opportunities presented by an economic upturn. In turn, this will only be possible by retaining and training valued staff – and paying continued attention to broader leadership development capabilities rather than concentrating solely on technical skills.

Continuing professional development in the worst of economic times demonstrates to staff at any level that their organisations will do their utmost to be there for them through thick and thin. It also demonstrates the overall level of professionalism and capability of any organisation.

The flip-side of the same coin is that short term knee-jerk reactions undermine goodwill, trust and therefore morale. They also demonstrate a lack of confidence in the long term viability of an organisation, a lack of professionalism, and a lack of shrewd judgement.

About Common Purpose

Since 1989, Common Purpose has been helping people in leadership and decision-making positions to be more effective: in their own organisations, in the community and in society as a whole.

Common Purpose now runs programmes in 70 locations across Germany, France, Ghana, Hungary, India, Ireland, South Africa, Sweden, The Netherlands and the UK, with further programmes developing in Israel and Turkey.

We run a variety of programmes for leaders of all ages, backgrounds and sectors, in order to provide them with the inspiration, the knowledge and the connections they need to produce real change.

Over 120,000 leaders are actively involved in our programmes. In the UK, more than 70 per cent of FTSE 100 companies, as well as many smaller organisations, have used Common Purpose to develop their leaders. They, and their organisations, consistently report better strategic thinking, better decision-making, dramatically enhanced leadership competencies and a greater ability to apply them in new situations as a result of their experience with Common Purpose.

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