

Insights and Outcomes



HRM INSIGHT 11.4 The German engineering company

Questions

1. **What are the implications for training of an organization's shedding of labour and cutting back on training when demand falls?**

When an organization implements significant reductions in its training provision in times of economic difficulty it raises a number of questions. First, it suggests those responsible have a very limited time perspective, and see cutbacks as a necessary and effective strategy. In cases where survival of the business is at stake, reductions in costs and expenditure may be necessary. But the savings made by stopping training already taking place and making apprentices redundant are unlikely to save significant amounts of money and may be cost positive not cost negative. Second, the loss of skilled and potentially skilled workers will compromise its future operations. In tight labour market conditions, this will affect its ability to meet establishment numbers and capability requirements. Third, the reputational aspect can be significant. Finally, it suggests that managers have limited ability to see the opportunities available to them.

2. **How can underutilized resources be used to provide training?**

Resources that are temporarily unused can be accessed and applied to the training and learning function. Even if formal training is curtailed, the use of informal learning is still possible as employees have more time to focus on this. Facilities such as rooms, machinery, and IT can be utilized at no real cost to maintain morale through the continuation of learning activities. It's the ability to see opportunities in adversity that mean much can be done even if formal budgets are cut.

3. **The German company's approach to training reflected part of a wider management philosophy: how might this be characterized?**

We have spoken about value and importance before and how successful companies always seem to possess a set of values and beliefs that shape the way they do business and manage people. In this case, the company expressed its humanistic values—it didn't treat employees as commodities—by considering the impact on them of reducing training and firing people. In addition, it combined this humanistic perspective with a strong sense of 'what is right for the business'. Any net savings in taking cost-reduction action would have been small relative to turnover/total costs and the loss of longer-term capability would have impacted on the ability to increase production when demand increased. Finally, the importance of the goodwill that their action generated represented a very important 'resource' that should never be underestimated.