# Employee Development for Organizational Success: The Pressures, the Economics, the Rewards

**Francois Silatchom**
*State University of New York Empire State College, USA*

**Nancy Kymn Harvin Rutigliano**
*State University of New York Empire State College, USA*

**James Fiorino**
*State University of New York Empire State College, USA*

## INTRODUCTION

Organizations today are confronted with more competitive pressure, often of multiple dimensions, than they did years ago. In a globalized economy we currently live in, the growing of the middle class in developing countries creates a significant new potential demand base that has access to a large set of competing organizations worldwide through a broad system of communication networks, including the Internet. Organizations are no longer competing only within their own domestic boundaries; they are competing globally and, because of that, organizations need to be competitive on a global scale.

In such a more competitive global marketplace, managers are often tasked with finding ways to minimize costs while at the same time maintaining customer service levels, quality, and employee morale. In management's efforts to achieve efficiency, cost saving and productivity gains are not generally expected to lead to tangible results overnight, but rather, are a continuous process that requires time and sustained efforts.

When organizations are too focused on short term cost saving, which often include reducing costs in the area of training and development, they may not realize that the real business value can be destroyed if approached purely as a cost-cutting exercise (Burrows, 2012). There are a few reasons why managers will look to cut this area when times are tight within the organization.

First, many managers consider training and development as discretionary spending and as such, serve as an easy target item that can be reduced to achieve corporate short term optimization objectives. Training and development is usually not associated with immediately measurable performance bonus plans, nor is it considered as necessary to boost short term revenue. Management has more flexibility in terms when it comes to choosing when to provide training; they can provide it now, or sometime in the future. The decision about how much and when to offer training does not generally rely on some existing modeled framework. There is no clear systematic metric or formula on which organizations rely to determine how much training to provide, nor when training should optimally be provided (Harward, 2009).

In addition, cutting training and development can lead to many risks that may be difficult to assess, most importantly, regarding employee turnover and motivation. Employee turnover is one of the highest expenses that Human Resources faces. Its cost can include productivity losses during the recruitment period while a position is vacant, the cost of recruitment itself, and the training of the new employee.

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According to Lucas's estimates (2012), for all jobs in which the employee earns less than $50,000 per year, which represent more than 40% of all U.S. jobs, the average cost of replacing an employee amounts to fully 20% of the person's annual salary. For As managers who are trying to achieve cost efficient production processes, they may have to consider more costs in the future to overcome, due to the potential turnover implementations. The second reason why spending training and development can possibly be cut to prioritize other short term organizational goals is that it is sometimes difficult to accurately quantify the benefit of the investment. In addition, there is a possibility that customer retention may be at risk when resources for training and development is are cut. Results from a study cited in the book, *Leading on the Edge of Chaos,* indicated that it can cost as much as five times more to acquire a new customer than it does to retain a current customer (Covey, 2009). The study also finds that a 2% increase in spending for customer retention can have the same effect on profitability as a 10% cost-cutting effort. Further, a 5% reduction in customer loss can increase profit by 25% to 125% depending on the industry (Murphy & Murphy, 2002). It would be important for leaders to take this into account when contemplating cutting or eliminating training and development budgets. Customers may contemplate moving to the competition if the quality of service is perceived to be poor and, a severe cut in funding for employee training and development can potentially increase the likelihood of that to happen. In a global competitive environment, leaders of organizations need to balance the needs of the employees with those of the organization. In working toward finding cost-reduction ideas, leaders should explore alternative ways of achieving cost efficient processes that do not necessarily include a systematic reduction in resources allocated to training and development. In practice, when cost-cutting initiatives that involve training and development are being implemented within organizations, they can sometimes lead to savings in the short term, however these savings can be offset by long term negative effects on the competitiveness of the organization. According to the Society for Human Resource Management, when organizations are committed to the development of their employees, there is evidence that employees who are engaged in their work and committed to their organizations give companies a crucial competitive advantage, due to higher productivity and lower employee turnover (SHRM, 2012).

## DISCUSSION

Great coaches take inventory of a player's strengths and weaknesses. Then, the coach will exploit those strengths, create performance strategies to highlight them, develop training plans to address the weaknesses, and continue to monitor the performance with an eye toward continuous improvement (Edwards, 2005).

This is what leaders need to do in organizations; they need to understand their employees' motivations, strengths, weaknesses, and needs, just as Herm Edwards did with his teams in the National Football League. Understanding employees leads to long-term organizational success and improved morale within the organization, and allows leaders to get the most out of their employees.

When assessing employees' strengths and weaknesses, it is important to understand the motivating factors that drive those employees to go beyond their perceived limitations for the organization. Llopis (2012) identifies nine concepts that motivate employees to achieve and the reasons for each:

- **Trustworthy Leadership:** Trustworthy leadership includes leaders who look out for employees' interests and have their backs. Leaders who support their employees will win their trust and they in turn will be more motivated to achieve.

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