Recession Survivors: Training to the Rescue

By Chris Taylor

The economy has been a brutal test for American companies—and their training departments. Here's who came out on top, and how they did it.

Everyone knows the story of TV's *Survivor* by now. A bunch of competitors gather together, each week the weakest member is voted out of the tribe, and the eventual winner gets a cool million bucks. But who knew corporate America would be put through a similar high-stakes competition? The recession, 9/11, the rash of corporate accounting scandals—those have made for quite an economic gauntlet, which few companies have managed to come through unscathed. Think of it as *Survivor: the Wall Street Edition*.

That means training departments have also been put through a few survival tests of their own. "There's so much pressure in turbulent times," says Andrea Nierenberg, president of consultants The Nierenberg Group in New York City. "Whenever there's economic duress, companies tend to cut advertising and cut training. But those are exactly the two things you need: advertising to let people know you're still there, and training to hold onto your people and update their skills," she says.

Some standout companies have exemplified that ethos and come out of the recession as winners. Southwest Airlines, Viacom, Dell, and security experts Guardsmark have in large part defied the economy and are standing tall even after the challenging times of the past few years.

So, how exactly did they do it? And how did they handle their training and development programs over the same timeframe—a period when many companies were slashing training to the bone, either by choice or by necessity? To find out how they pulled off this magic trick of great performance during the worst of times, we went right to the source: the companies. We learned some valuable lessons.

Southwest Airlines, soaring

In a brutal economy, few industries have been more knocked around than the poor airlines. Just take a look at which have either been trotted through bankruptcy court or have frantically tried to stave it off: United, US Airways, American, and more. Then there's Southwest, a perennial thorn in the other carriers' sides. Southwest not only survived the recession, but even managed to turn a profit. The strategies that helped the company through it: a near-fanatical approach to cost-savings, a training structure that instills the unique Southwest culture in every newly hired employee, and a consistent management style through the wildly fluctuating economy.

"It all goes back to [board chair] Herb Kelleher's mantra," says spokesman Ed Stewart. "In good times, manage as though bad times are just around the corner because they're sure to come."

And come they did. Beginning with 9/11, which hit the industry like a sledgehammer, Stewart remembers like it was yesterday. The frantic calls to friends at other airlines, the effort to make sure every Southwest plane got down immediately and safely. He also immediately knew, as other company execs did, that it could be the beginning of financial devastation for the sector. So, Southwest swung into action with a series of savvy fiscal moves.

First, Southwest already had US$1 billion in the bank from its "save for a

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rainy day" policy. Then it secured a credit line for another $435 million, though the airlines never had to draw it down. "We wanted to get our hands on as much cash as possible," remembers Stewart.

But that was only the beginning. Southwest started scouring for more cost-savings. Capital spending was slowed, including putting off receiving new planes from Boeing that were scheduled to arrive. No new cities were added to the roster of destinations. And hiring plans were scaled back, though there were no mass layoffs as at other airlines. Those strategies added to Southwest's traditional cost-savers, such as using lower-cost airports, flying direct between cities instead of having a hub system, and having only one type of plane, which cuts down on maintenance and parts costs.

But what about the company's training programs? Executives resisted the temptation to slash the budget even when the situation was at its bleakest. The University for People, including the company's famed training facility based in an old Dallas terminal with 40,000 square feet and $3 million in annual expenditures, was able to preserve its funding.

"We actually increased our training budget during that time," says Rita Bailey, university former director and now a consultant with QVF Partners in Carrollton, Texas. "It's our crown jewel, a place to come and feel inspired. I'd put the programs we developed against any others out there."

Hiring in the post-9/11 period slowed, reducing the number of people being funneled through Southwest's orientation programs, but the number of classes needed in the field had to be jacked up—from dealing with new security measures to coping with the emotional devastation of 9/11. "Any [airline] can fly 737s to different cities," says Stewart. "Our secret weapon is people, so we still had to invest in them."

That included keeping up morale in a time when a lot of people were scared to get on an airplane and the industry was under siege. Throw in that the contracts of much of Southwest's 37,000-member workforce were up for renegotiation, a prickly process that can often sink spirits.

"One of the highest demands out there right now is managing morale," says Eric Spanitz, a trainer with Synergest in Chicago. "I'll go into companies to train them on something else, and it turns out what they really want to learn is how to keep their people happier."

The folks at Southwest were still wise about how they spent their pennies. By having trainers venture into the field more often, for instance, the company reduced the funds needed to bring everyone to a central location. When it's necessary to use the main Dallas facility, Southwest is using what it already has, not renting pricey venues.

There was other program tweaking. Training became more targeted by focusing more on front-level supervisors, people with the most influence on the front lines," says Bailey. Leadership training initiatives for executives were scaled back temporarily, though they were subsequently reinstated. Stylistically, Southwest has tried its best to avoid "talking head" training. In keeping with its outgoing culture, it aims for experiences that are "interactive, with people sharing with each other instead of just sitting there," says Bailey.

By the way, Southwest eschews the word *trainer*. "We prefer to think of ourselves as tour guides," laughs Bailey. Indeed, that's a trend seen not only in Southwest's University for People but throughout the industry.

"These days, you have to engage employees emotionally," says Carter Andrews, a partner with Little Planet Learning in Nashville, Tennessee. "Just stand there and tell people something, and it'll bounce right off them. You have to show a real-life scenario, get them involved. That's what the better trainers are doing—and what the buyers are starting to insist on."

That kind of mutual engagement describes Southwest perfectly, where the trainers are the "keepers of the culture," says Bailey. In the most challenging period that any of its employees can remember, Southwest has been able to marshal the team spirit to get through it.

"We played a huge part in keeping that flame going. Because it's during the hard times that you need to invest in people the most."

Viacom, more than viable

Wall Street is littered with beleaguered media companies these days, including the king of them all, AOL Time Warner. Advertising is often the first to fall in a tough recession, hitting revenues right where it hurts. But through this windstorm, Viacom—owner of

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MTV, CBS, and UPN, among other assets—managed to come out with its trousers barely creased.

"It wasn't that there wasn't any pain," admits Susan Duffy, VP of corporate relations. "After all, half of our revenues come from the ad world. But we've weathered the storm because we're so well managed. Our management didn't change strategy because of the recession; [these are] the same things we've always been doing."

Staffers attribute the success to those at the helm of Viacom, crusty septuagenarian CEO Sumner Redstone and his president, Mel Karmazin. Though the two are said to share a frosty relationship, the partnership apparently works in running a company.

Viacom did face unique training challenges in recent years related to its merger with CBS—two workforces and two corporate cultures, each with its own way of doing things and developing employees. The merger did lead to some "efficiencies" (a palatable term for layoffs), but the training programs didn't find themselves under siege.

"We haven't stopped any of them, and I think that has been really important," says Betty Panarella, Viacom's VP of employee relations and development. Viacom has even added bits and pieces to its training palette in the past couple of years, including a tuition-assistance program and a College Coach to educate staffers about getting their kids through university.

Chicago-based consultant Eric Spanitz sees that kind of supercharged training as key to companies in organizational flux. "People are being shifted around so much these days, or placed in new positions, and they're expected to get more done than ever," he says. "But if you want people to get more done, you have to be able to show them how." To do that, Viacom has set up distinct divisions for its training programs, including the Manager's Toolkit, a basket of skills and leadership courses for execs, and a speaker series, in which heads of different arms of the business (and outside personalities) chat about their experiences and expertise. So that different divisions can benefit, the program is overseen by a 15-member training council, which meets once a month and shares training modules that are already in place.

"That's a big trend in the business, using your own internal experts," says Nierenberg. "It's both training and teambuilding. There are also major savings because you're not paying someone on the outside."

Not all programs work, and that's why Viacom is particularly keen on employee feedback to fine-tune its roster of offerings. Think of it as a kind of brutal democracy. "If a program doesn't have any participation, it's a waste of money," says Panarella. There's also plenty of resurrecting of programs that have worked in the past. With the central training department down a couple of people in recent years, despite handling a bigger workload than ever it has to be savvy about the cost and labor involved in creating entirely new programs from scratch. "We're pretty smart about how we manage, and so we'll remarket programs that we've already developed because that's so cost-effective," says Panarella.

And there's the usual orientation gauntlet: diversity training, sexual harassment, business conduct, and the like. Add to that a smorgasbord of ongoing options—from financial planning to a knitting class (for which 75 people recently signed up). Viacom also isn't above a little glitz. The speaker series has included hip-hop impresario Russell Simmons and original *Survivor* winner (and former trainer) Richard Hatch. "We're very pleased with the level of speaker we get," smiles Panarella.

But in business, it always comes back to the bottom line. To that, Viacom pays close attention. If a course is still popular but has gone beyond its budget (as yoga recently did), the company might offer to keep it but at the employees' expense. Viacom has survived by "sticking to our knitting," says Duffy. "We didn't go out and buy Internet portals or ISPs, we didn't build up debt, and we only do acquisitions that will add to our earnings. We're financially disciplined."

Recent acquisitions include the Comedy Central network and a Los Angeles radio station. Viacom also repositioned TNN as Spike TV (after a brief court battle), a network geared to men. But such purchases can create structural problems, and so in an organizational reshuffling Viacom took such measures as bringing all CBS TV stations and the UPN network under the same umbrella. "We're able to manage it in one piece," says Duffy. (It's also nice clout for ad dollars.) That also meant significant cash flow towards smart acquisitions, stock buybacks, or internal investments.

Looking ahead, there's additional tweaking to be done in the training area, execs say. Viacom will be boosting courses offered in the Manager's Toolkit, for instance, such as compliance training and a primer on harassment issues (both key in an increasingly litigious society). But execs pledge that the corporate attitude will remain the same—one of fiscal responsibility combined with a commitment to bettering staff. "Everybody has to tighten their belts because [companies] just aren't getting the revenues they did before," admits Duffy. "Still, there are ways to do that and to be more efficient about how you spend, while still developing your employees and growing your business."

Dell, doing swell

Dude, you're gettin' a corporate culture.

You've seen the ads, with the laid-back surfer-type keen on hooking up his friends with the right computer: "Dude, you're gettin' a Dell!" Internally, Dell got something to help it through the ultra-competitive recession years: a renewed commitment to training and culture.

"For years, it was a go-go atmosphere, dealing with such massive growth," says spokesperson Colleen Ryan. "Now, even though we're still growing, we also wanted to build a culture where people want to come to work every day, regardless of the economic environment."

It was a natural transition, as Dell metamorphosed more than 20 years from a hungry startup to an operation in 38 countries that needed a company-wide identity. It was also the wrenching time of having to let go 4700 workers to survive, which could have torpedoed morale totally if the company didn't take action. So, Dell added a fourth pillar to its existing three of product leadership, customer experience, and globalization. *Winning culture* became the new buzz phrase, to make sure Dell's 40,000 employees were all developing and on the same page.

"The first three strategies got us to $31.5 billion in sales," says Pete Leddy, Dell's director of global HR services. "But as the market softened and we went through some difficult times, we thought it was imperative to add a winning culture." But saying it is one thing, seeing it through is another. So, Dell instituted a basket of new leadership programs, primarily for its people managers, which familiarized them with the "Soul of Dell" and taught them how to develop team members devoted to the same goal.

Dell also refined its global curriculum for nonmanagers, making sure that everything they were learning was relevant to the business and contributing to the bottom line. "As the tough times hit in 2001, we asked some very hard questions of ourselves, to make sure the training was relevant," says Leddy.

It's a common refrain, if a tad ruthless. "What I'm seeing is that the Microsofts, the McDonalds, the Coca-Colas, they're just not interested in learning for learning's sake anymore," says Little Planet's Carter Andrews. "That doesn't cut it. They're getting smarter at where they target their training; instead of a shotgun, they're using a rifle," he says.

An example: Out of that targeting philosophy came the Dell Value Proposition, a pair of two-hour sessions for employees that serve as a mix of financial education and a primer on all aspects of the Dell business. The philosophy behind it: An informed employee, who's thinking about the firm's performance as a whole, will be more apt to work efficiently and find savings on a micro level. Those sessions, combined

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with a Business Process Improvement initiative that aimed to reduce costs across the board, made for real shop-level savvy. Because of the promotion of ad hoc meetings, during which staffers brainstormed about ideas to shave costs, "we save $500 million last year," says Ryan.

Dell also had a nice storehouse of cash on hand (now standing at about $10 billion), which served as a psychological cushion for shareholders. Dell also scored with its marketing to keep the company in the public consciousness—not only the Dude campaign but ones targeted more towards corporate administrators, where the real growth was taking place.

Despite all of the new training materials, the budget for global t&d was actually nibbled back—a belt-tightening that was voluntary, Leddy notes. Dell found savings by tossing generic training programs overboard, which resulted in a reduction of the total number of offerings but a boosted quality of the ones that remained. "Generally, those were off-the-shelf leadership programs from outside consultants, which weren't customized for Dell," Leddy says.

As in a science experiment, execs continue to fiddle for the perfect mix of programs offered. Employees had been asking for better feedback, for instance, so Dell recently created a one-day program to help execs with their coaching skills.

Leddy attributes the success of the total training revamp to the fact that it had support from the highest levels of management. "It's so important to have that leadership endorsement," he says. "You need it to completely support what you're doing."

Guardsmark, on the mark

America is on war footing: the new Department of Homeland Security and its color-coded awareness levels. Employees of Guardsmark are also soldiers on the front lines. The Memphis-based firm provides security personnel in more than 400 U.S. cities, employing more former FBI agents than any other company. Guardsmark's services have been more in demand since 9/11, with a 10 percent growth in revenues by the end of 2002.

But how do you train 18,000 people in a reasonably consistent manner and keep their skills up-to-date? It's a formidable challenge, but Guardsmark execs didn't have much choice in the matter if it wanted employees to be prepared for the worst.

"For us in particular, training is much more important now than ever before," says Sandy Peiser, a VP and manager of learning and development at the firm. "In tough times, many companies cut their training, but we needed to be more vigilant."

It did mean altering the way Guardsmark delivers training. It's all about speed—getting staffers the information they need right away. So, Guardsmark began producing a daily bulletin that went out to the field offices, fleshing out an "issue of the day"—from terrorism to employee theft. It also developed a case study that's sent out every two months, with an in-depth analysis of a recent event and what it means. Two recent examples are the bombing at the foreign housing complex in Riyadh, Saudi Arabia, and the explosion at Yale University.

"What we've done is to reallocate resources in a number of areas, looking for ways to get training to officers in the field in a more expeditious manner, says senior VP Jeff Landreth. "We tweaked things to get more efficient—by doing the case studies, sending out email newsletters, using the Internet. Regarding some of the older in-house programs, we admitted, "OK, they're antiquated."

But training alone can't save a company in tough economic times. Guardsmark had to make a few oth-

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Training has become a generator of cash

er crucial moves. Early 2002, execs noticed sales were softening as U.S. companies grew more blasé about security threats. Guardmark's own polling confirmed that 70 percent of security pros said their firms were "very complacent" about the issue; 60 percent of companies weren't prepared for chemical or biological attacks, and half didn't have emergency drills.

So at the monthly meetings where top execs do a total review of the business, Landreth says the decision was made to ramp things up: intensified sales pitches, more presentations to potential clients, and new products. Summing it up, the slogan that all in the firm have adopted is, "The time for urgency is now." Says Landreth, "That has become our watchword throughout this tough period." In fact, a fresh ad campaign with that slogan was drafted to increase awareness, running in August newspapers such as the *New York Times* and *Washington Post.*

Guardsmark also compiled new reference manuals, which were distributed to officers and became their go-to guides in times of crisis. "One [crisis] was right after 9/11, dealing with [more] terrorism and anthrax, and the next was the start of war in Iraq," says Peiser.

These new layers were in addition to Guardsmark's traditional three-pronged training process: 1) going on site to cover the basics of security, lasting about 40 hours; 2) sessions at the client companies averaging 20 to 30 hours, far more than in prior years; 3) ongoing programs, often specific to the client's needs. That's reflective of a general trend in the training industry towards made-to-order solutions. "One size doesn't fit all anymore," confirms Nierenberg. "It's all about being customized. There's never anything off-the-shelf."

Once employees have been through those three phases, a regular flow of learning materials called Security 101 is funneled into paycheck envelopes. Employees are quizzed on the content. "These people have to be ready when an emergency comes, and Security 101 keeps them ready," notes Peiser.

Training isn't just a sap on revenues for the company; it has become a generator of cash. When clients need training for their own staffs—ranging from dealing with chemical spills to coping with violence in the workplace—Guardsmark is able draw on its expertise to provide it. "Those are the type of things we're able to turn on a dime and supply to our clients," says Landreth. Guardsmark's training focus, however, is on its own employees. Given the special responsibilities of the industry, training was never something the company could consider skimping on. "Our budget hasn't been trimmed," says Peiser proudly. "When the darkest times come, that's when our people need to be the most prepared."

That seems to be the biggest take-away of these corporate success stories. Far from throwing training into the trash bin, true recession survivors seem to place a renewed emphasis on it—that and a relentless focus on refining what works, eliminating what doesn't, and keeping costs down through smart managing.

"Companies that continue to invest in training in a down economy will actually see a big rebound when they come out of it," predicts Marsha Lindsay, president of Madison, Wisconsin-brand consultancy Lindsay Stone & Briggs. "They'll see greater productivity and greater loyalty, and they will be the ones attracting the best people when the economy turns around." TD

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