

Chapter 1

When Leadership Training is Not Done or Not Effective, Cascading Costs Occur

The bottom-line is that when leaders are not effective, conflicts and costs increase and losses by omission result. These leaders tend to get stuck in the “blame game” by considering their customers, suppliers, the union, supervisors, or staff as possible sources for these losses. This diverts attention and energy from overcoming the actual root causes.

At Unique Training & Development, we’ve found through our years of extensive experience, that there is frequently a link between cascading losses and the lack of effective leadership training.

Clearly development for people in leadership positions is essential. Here are some of the losses that occur when these essential training needs are not addressed. You'll notice a box next to the loss indicator. Check off those now happening in your organization:

Manufacturing Organization Indicators

- Managers or employees are making negative comments
- Negative behaviors by managers or employees are increasing
- Conflicts between people becoming more serious
- Conflicts between departments (the silo effect) more entrenched
- Crises created by actions not taken are more frequent
- Crises created by inappropriate direct actions are growing
- Lack of co-operation and teamwork is evident
- Complaints and grievances are growing
- Health and safety violations are more frequent
- Late or faulty decisions delay actions
- Working to rule - work is not done or done late
- Absenteeism & tardiness up
- Errors, defects & omissions up
- Scrap and waste is increasing
- Rework and replacement costs are growing
- Shipping costs excessive
- Refunds and recalls up
- Production interruptions more frequent
- Throughput is restricted
- Overtime costs are increasing
- Customer complaints up
- Contracts and customers being lost

- Market share is declining
- Warranty costs are rising
- Image & reputation is declining
- Profitability is reduced
- Share value is declining
- Shareholder dissatisfaction is growing

(Note: Similar lists for service oriented and non-profit organizations are provided in the next chapter)



If you think education is expensive, try ignorance.

*–Derek Curtis Bok, former President
at Harvard University*

Early Indicators of Leadership Problems—Consider these as Opportunities for Improvement

People related problems are addressed eventually in all organizations. At times this is done quickly and in other cases completed only after disastrous problems force action. However, in many instances these issues are not seen as the root cause of the operational problems being experienced. Further, they are too seldom seen as the result of leadership deficiencies.

The elements listed above are examples of how the lack of training for leaders and those in authority impacts the bottom line. Actual problems are often evident much earlier in the overall process. They do exist, are known, are serious, are reported and they do impact the organization's overall performance. These problems contribute to higher costs and lower profits, but in some organizations they are ignored or tolerated until they worsen to the extent that they must be addressed.

But there is another important element that determines the extent of gains or losses. It is the fact that performance and effectiveness often depend on more than simply knowledge, skill, and application. It requires the removal of barriers that exist. The supply of necessary resources, timely decisions or something as simple as approval to proceed, all

are beyond the control of the individual. These responsibilities reside with management and require that the Unit Leader take prompt and appropriate action. Again the question is, “Does that leader know what needs to be done and how to do it?”

From the leader’s perspective, there is another way to look at it. Would an executive or manager take his vehicle to a dealer for servicing if he knew the employees were untrained? The same applies to the selection of a golf professional or financial advisor or a myriad of other service providers.

Yet, those same executives who deny the need for training for themselves and others are in the ultimate positions of influence and authority. Their lack of insight negatively impacts the quality of their products and services. (One likely contributing factor is that this occurs because Unit Leaders seldom interact with the customer and are rarely, if ever, required to deal personally with customer complaints.) It is about being stuck in the, “Problem, what problem?” syndrome. In fitting with this, it is essential to remember the following:

- What we tolerate, we propagate. It happens because we allow it to happen.
- Whether it is in quality, delivery, service or cost, the customer is **always** negatively impacted in some way by inadequately trained employees.
- Similarly, problems with suppliers are often the result of their employees and managers who have not been effectively trained. We suffer the costs and other consequences.
- Customers may not lodge a complaint; instead they simply buy elsewhere, providing no opportunity to rectify the problem. The resulting lost business continues until someone in authority realizes the losses and takes action. Then a costly correction is usually required.

Quality Is Free!

At one time, General Motors enjoyed almost 51% share of the automobile market in North America. In fact, some were calling for government intervention to limit the growth and size of the company. Now GM's market share is struggling in the area of 20% and it has experienced the unthinkable: bankruptcy protection. The Big Three, as they used to be called, have experienced huge losses and have restructured to drastically reduce costs. They began losing customers to off-shore manufacturers decades ago and it was on the basis of smaller, more economical vehicles and better product quality being offered by competitors.

When the Japanese automakers entered the North American market, they realized that quality was a problem for the Big Three and an opportunity for them. They invited American quality gurus such as Dr. Edward Deming, Dr. Joseph Juran, and later Philip Crosby to tour their plants, and advise them on quality improvement initiatives.

Deming became a Japanese hero and their government created the Deming Medal. They award it to companies who have best demonstrated his quality principles in action. Juran established his reputation with ideas and practices which emphasized top management involvement, the Pareto Principle, the need for widespread training in quality, the definition of quality as fit for use and the project-by-project approach to improvement. Crosby instilled the concepts of **Zero Defects and DRIFT (Do It Right The First Time)**. Two of his four quality principles were:

- The system for causing quality is not appraisal (inspection) but prevention.
- The performance standard must be zero defects, not, "That's close enough."

Crosby's book, *Quality Is Free*, became and remains a business bestseller. He also developed the term, "Cost of Quality" to encompass all of those costs which are incurred as a result of unacceptable quality, whether in a product or service. Crosby estimated that these costs often exceed 15% of gross revenues.

A few of those Cost of Quality elements that are sometimes overlooked are:

- Lost customers/lost business and the associated profits that should have accrued.
- Lost market share, which is costly to replace, if in fact this is ever possible.
- The cost of additional employees or overtime to respond to the volume of complaints.
- Lost sales of related products or services that are offered as a bundle.
- Reduced competitive advantage. In fact the lost business goes to a competitor who is stronger and more profitable as a result.
- Negative employee attitudes created by a constant bombardment of customer complaints and internal criticism.

Training Is Free And For The Same Reasons!

As companies experience the positive results of their quality improvement efforts, they became believers. Training related to quality issues increased, companies saw the value of becoming ISO 9000 certified. So impressed were the Big Three that they began insisting that their suppliers become certified as well. Next GM introduced their own, more stringent and broader standards: the QS 9000 series and insisted that suppliers conform. But the battle to convince managers of the benefits of prevention through training and other methods is ongoing, a challenge to all of those involved in delivery of leadership training.

The cost of training means that it is not without a price or fee. When training is planned and delivered with the focus on its financial benefit, the results most definitely outweigh the costs.

Consider some North American and international examples where the value of training has been, or has not been realized.

From the U.S.A.: For those who were in New Orleans during hurricane Katrina the memory plagues them still. What also lives on is the reported failure of the FEMA director to rally and direct the rescue and recovery efforts. Republican Senator Trent Lott is quoted as saying, “FEMA was overwhelmed and undermanned and not capable of doing its job under the director’s leadership.” The director was replaced and some questioned the veracity of the information on his resume, which was used to justify his selection for the position.

From Canada: A national newspaper article was titled, “Train doomed from the start TSB report finds.” The reporter begins her story by saying, “Outdated technology and poor training and supervision caused the derailment that spilled 40,000 liters of caustic soda into the Cheakamus River north of Squamish B.C. says a Transportation Safety Board report released yesterday.” Further in the article, the corporate spokesman is quoted as saying that the rail company could not comment on the specifics of the report because of potential legal action due to the incident. Would you like to venture a guess as to how much this incident will eventually cost?

From Japan: Observers have attributed much of the Japanese corporations’ success decades ago to its ravenous hunger for knowledge and its emphasis on training, bringing in foreign consultants and sending countless teams out to visit world centers where the most advanced knowledge was being pursued. Ironically, many Japanese companies now prefer for their training to be internal despite the value they received from listening to outside experts.

From India: A recent business article reported that, “Training and education cost Infosys \$175 million dollars,” then goes on to say, “Indian companies are convinced that upgrading the skills of their people is the way to win in a globalized world.”

From China: This country is experiencing what Japan had previously experienced in recall costs, replacement costs and reputation damage. There have been recalls of hundreds of thousands of children’s toys, toothpaste, tires and food products, just to name a few. The costs that Chinese producers, distributors and investors will suffer go far beyond

the cost of replacing these items. The true costs should include the fact that North American consumers are becoming more reluctant to purchase certain goods with the “Made In China” label and are changing their buying habits. Training would have prevented much of this through the implementation of quality standards and practices.

Ensuring Training Success

When we look at the bigger picture, we see that problems and opportunities are two sides of the same coin. An opportunity not seized is a problem. A problem is an opportunity that is not being achieved. **Every problem is an opportunity for improvement and gain.** None should be ignored; they offer great potential. Too often problems are filtered, or hidden to avoid possible criticism. Unfortunately this distorts reality and delays pursuing a solution. In addition, it fosters a culture of denial.

For example, a local company went to great lengths to measure, report and minimize their cost of quality. Their reports indicated that this cost stood at about 3½% of revenues. When the participants in a training session were asked what *they* estimated the actual number to be, they said at least three times higher. Those potential gains were not being pursued.

Opportunities are never lost.

Competitors will seize those you miss!

They become stronger as a result.

Through our extensive work as trainers with a focus on development, we’ve found that there are two areas that a leader must be aware of before using training to prevent or solve workplace issues. One is an understanding of what training can and cannot do in the workplace and secondly, the reasons that training may fail and how to prevent it.

What Training Can—and Cannot—Do

1. *Personality Issues:* Training cannot inject personality characteristics lacking in an individual. It can, however, help develop interviewing and selection skills, which when applied, increase the likelihood that a more

suitable candidate is recruited in the future. It can also change certain behaviors such as being more expressive or positive which may tend to enhance the person's ability to relate to others more effectively.

2. Systemic Factors: These factors are the roadblocks entrenched in organizations that impede success. Training itself cannot overcome procedural and process barriers to performance. It can often assist in developing the knowledge of how to identify these blockages and generate action to resolve them.

3. Resources and Authority: Training cannot by itself overcome a lack of vital resources, or authority to implement necessary changes. Yet, training can assist in identifying these needs. Then training in persuasiveness or assertiveness may be useful in influencing others of the need to make changes.

4. Compensation and Rewards: Related to systemic factors above, training cannot overcome a flawed compensation or benefit/reward systems that may be allowing, causing or contributing to employee dissatisfaction and negative behaviors. Once again, the training facilitator can provide her assessment and feedback regarding this situation to leaders who have the authority to correct the situation.

5. Management Action/Support/Involvement: Finally, the trainer/facilitator cannot insist, demand, or pressure participants to do anything. That is the responsibility of the leaders, the managers and supervisors who have the necessary authority to clarify and communicate expectations and, if not met, to confront and take corrective action. Training can inform, equip and provide the skills necessary to ensure such action is possible and done effectively.

Ten Reasons Training May Fail To Achieve Potential Gains

It is clear that training can be a key element to improving the bottom-line of organizations. Yet there are times when on the surface, the training provided seems not to have met expectations. Looking beneath the surface to secondary gains, results may be seen in abundance.

To possible negative experiences, here are ten reasons why training may not achieve expected potential gains:

1. **Low expectations by the Unit Leader** results in minimal personal involvement. Little is expected and therefore little is gained. Others involved quickly assume therefore that this is unimportant to the Unit Leader.
2. **The training is not linked to the organization's goals or strategies;** therefore it lacks perceived purpose. There seems to be no effort to connect the training to any specific application, project, or outcome, making it seem irrelevant.
3. **Participants are not briefed** by their manager/supervisor on why they have been enrolled in the training, how they will benefit or what they will be expected to do differently or better. Therefore, some are unmotivated, reasoning: "Why bother, the boss doesn't seem to care."
4. **The trainer/facilitator's methods (and/or materials) are inadequate or inappropriate** for some of these participants. Therefore there is a lack of credibility and/or connection with the participants and the person is simply, "a talking head," boring and ineffective.
5. **No one in management demonstrates any interest** in whether learning is taking place, whether the knowledge and skills are being applied, or whether anyone is gaining anything from the investment. This negatively impacts the participants and the facilitator/trainer and human resources people.
6. **A few participants are obviously and blatantly either making little or no effort** whatsoever or are distracting or otherwise undermining the learning of others and no one in management takes corrective action. This communicates the feeling that no one is concerned about what is happening. Often this same attitude and behavior is seen on the job where it is also ignored and finally becomes the culture of the organization.
7. **There are insufficient funds allocated to do the training effectively.** This affects everything from the

selection of the best facilitator, to the course duration, lack of pre-course interviews, lack of personal coaching availability, lack of progress reporting meetings with HR and management. Finally, those allied with the effort recognize the lack of support; frustration and de-motivation result.

8. **The training ends without celebration or recognition.** What could be a celebration of successful learning and on the job gains, a feeling of having accomplished something great, ends with a fizzle.
9. **There is no debriefing meeting, no reporting session, no measurement of gains** and no effort to determine how such activities could be made more effective in the future. This simply reinforces and perpetuates the negative attitudes, beliefs and perceptions that cause these situations.
10. **The training seems irrelevant to the participants.** It has been selected by the Unit Leader, HR manager or trainer/facilitator because they participated elsewhere and found it interesting or because, it's the latest fad often referred to as "the flavor-of-the-month."

Dynamic organizations rarely allow themselves to be hampered by past negative experiences. Instead they improve their skills, refine the process and try again.

When Training Is Not Done—Is It A Savings or Is It A Loss?

In the next chapter we learn about the problems at two companies, Green Bros. Concrete and Builder's Roof Truss Ltd. These stories illustrate that a lack of knowledge and skill by managers and not doing the training they require can be a serious cost to the company. Problems usually do not disappear nor just continue. They tend to escalate and as they do so, they cause increasing frustration, confrontation, blaming, lower productivity and a host of symptoms, many of which have been listed at the beginning of this chapter.

Application of These Ideas

The most significant ideas in this chapter for me were: _____

As a result I intend to: _____

Action Prompt:

- Take a few minutes to review the second page of this chapter again. Check off those items that may indicate current or future problems.
- Review the “Ten Reasons Training May Fail To Achieve Potential Gains” and list those that seem to be present in your organization.
- Enter your intended future action in your daily planner.

Resources Available

Visit FusionorFizzle.com for a free Leadership Needs Assessment.