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CROSS-TRAINING

Cross-training involves teaching an employee who was hired to perform one job function the skills required to perform other job functions. ''Simply put, cross-trained employees become skilled at tasks outside the usual parameters of their jobs,'' Lynda Rogerson noted in an article for *Small Business Reports.* ''Cross-trained workers might focus their efforts on one process. Or, you could set up a systematic job-rotation plan and train workers to become proficient in a variety of functions.''

Cross-training offers a wide variety of benefits for small businesses. For example, a well-designed program can help reduce costs, improve employee morale, reduce turnover, and increase productivity. It can also give a company greater scheduling flexibility, and may even lead to operational improvements. Perhaps the most important benefit that accrues to companies that implement cross-training programs, however, is greater job satisfaction among employees. Cross-training demonstrates that the company has faith in employees' abilities and wants to provide them with opportunities for career growth. In an age when companies are always trying to accomplish more work with fewer workers, anything that helps to motivate and retain employees can be worthwhile. ''Cross-trained employees usually feel that their jobs have been enriched, and they often suggest creative and cost-effective improvements,'' Rogerson noted. ''Cross-training can lead to productivity gains that help you stay competitive.''

For small businesses with limited manpower and resources, cross-training can also enable operations to continue if a key employee becomes ill or requires a leave of absence. ''The serious illness of a key executive in a small company can spell disaster for the firm—unless that person has trained others to conduct operations smoothly during an extended absence,'' Thomas Love wrote in an article for *Nation's Business.* ''While you could always hire a temporary worker to replace an employee, that may not be the best solution if the job requires technical skill or an in-depth knowledge of your operations,'' Rogerson added.

The ability of cross-trained employees to fill in during absences, vacations, and peak demand periods can reduce the costs involved in hiring and training temporary workers or new employees. ''By cross-training, a person on staff already knows and can perform the needed job functions,'' Brian Gill explained in an article for *American Printer.* ''Recruiting costs also can be reduced since cross-training supplies the company with internally qualified applicants who are ready and willing to move into a new position. Being able to promote qualified candidates internally also will reduce overall orientation costs. Although external hiring cannot be completely eliminated, cross-training will decrease the need to look outside.''

Cross-training can also improve the overall work atmosphere in a small business, which may in turn improve the bottom line. Employees are a valuable asset in small businesses, which often must maintain only a bare bones staff in order to remain competitive. This makes it even more important to make maximum use of employees' skills and talents. ''Investing in on-the-job training clearly proves that individual career growth is a valuable and necessary part of the company's overall growth,'' Gill wrote. ''If employees believe they have the potential to improve within the company, they will be more willing to learn new skills. Employees will be more productive and loyal, and overall morale will improve.''

IMPLEMENTING A CROSS-TRAINING PROGRAM

To be effective, a cross-training program must be carefully planned and organized. It cannot be implemented all of a sudden during a crisis. For one thing, there are a number of decisions that a company must make before the program can get started. For example, it is important to decide who will be eligible for training, whether the training will be mandatory or voluntary, whether the training will be restricted within job classifications or open to other classifications, and whether it will be administered internally or externally. Prior to implementation, Gill noted, it might be helpful to set up a task force of consisting of both management and employees to research the pros and cons of cross-training for the business, assess the feasibility of setting up a program, work out the implementation issues, and set up a realistic schedule for each position.

Rogerson suggested that small business owners begin by having each different area or department draw up a list of functions and tasks that are necessary to its day-to-day operations. Then the various tasks can be prioritized to decide which should be included in the cross-training program. ''This helps match employees to the functions and tasks that need cross-training coverage,'' she explained. ''Be sure to have each employee review these lists to identify the functions/tasks they already know how to do, those they would like to learn, and those they would be willing to learn if necessary. That way, you can consider both competence and interest in the matching process.''

Rather than simply training one employee to perform another one's job—which would not really solve the problem if the first employee experienced a long absence—it may be better to train several employees in various components of the first one's job so that they can all pitch in as needed. Training can take place through an on-the-job buddy system, or supervisors can be asked to conduct all the training. It is important to note that those selected as trainers may need to receive instruction in how to teach others. Rogerson noted that adult learning courses are available at many community colleges or through training organizations. Finally, cross-trained employees must be given the time they need to absorb the new information. Their workload should be reduced both during the training and during later practice sessions so that they will not feel as if they are being penalized for participating in the program. It may also be helpful to evaluate newly trained employees' progress on a regular basis.

SUCCESS FACTORS

One of the most important factors in the success of any cross-training initiative is gaining the full support of top management. ''To be truly dedicated to cross-training, the traditional idea of one job per person must be replaced with a broader definition,'' Gill explained. It is also vital to involve employees who are already performing the job in the training process. ''Employees will be able to share their thoughts and opinions on how to properly train others for the same job,'' according to Gill. Besides making employees feel included, involving them in training will help prevent them from feeling like their job may be in jeopardy. ''It is extremely important to communicate to employees that cross-training is not a management scheme designed to eliminate jobs and that it is a benefit to both the individual employee and the company,'' Gill stated.

Creating a successful cross-training program is not necessarily easy, and small business owners should expect to encounter some resistance from employees. One way to help ease acceptance of such a program is to address compensation issues ahead of time. Companies must be willing to compensate employees for increasing their skills. In some cases, instituting pay-for-skill or pay-for-knowledge programs may help encourage people to participate. It may also be helpful to promote people who learn new skills to a new grade in a graded-pay system, or to attach a dollar value to specific skills and then pay employees for the time they spend cross-training on a higher-paying skill. Employees must be made to feel that their efforts are being recognized for a cross-training program to be successful.

In her article, Rogerson outlined several potential pitfalls that companies need to avoid in order to implement a successful cross-training initiative. One of the major pitfalls is trying to establish a program without taking a systematic approach. Some other potential pitfalls include failure to include employees in planning the program, trying to coerce the participation of reluctant employees, assuming that employees are familiar with the techniques needed to train others, penalizing employees who take part in cross-training by not reducing their workload accordingly, and not recognizing the value of new skills with appropriate changes in compensation.

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SEE ALSO: Training and Development

CUSTOMER RETENTION

Customer retention refers to the percentage of customer relationships that, once established, a small business is able to maintain on a long-term basis. It is a major contributing factor in the net growth rate of small businesses. For example, a company that increases its number of new customers by 20 percent in a year but retains only 85 percent of its existing customers will have a net growth rate of only 5 percent (20 percent increase less 15 percent decrease). But the company could triple that rate by retaining 95 percent of its clients.

''Of course, growth is just one of the benefits experienced by companies with superior retention rates,'' William A. Sherden explained in an article for *Small Business Reports.* ''Your profits also should improve considerably when customers stay on board for longer periods of time. The cost of acquiring customers and putting them on the books generally runs two to four times the annual cost of serving existing customers. So the longer you keep customers, the more years over which these one-time costs can be spread.''

A variety of strategies are available to small business owners seeking to improve their customer retention rates. Of course, the most basic tools for retaining customers are providing superior product and service quality. High quality products and services minimize the problems experienced by customers and create goodwill toward the company, which in turn increases customers' resistance to competitors' overtures. However, it is important that small business owners not blindly seek to improve their customer retention rate. Instead, they must make sure that they are targeting and retaining the right customers—the ones who generate high profits. ''In short, customer retention should never be a stand-alone program, but rather part of a comprehensive process to create market ownership,'' Sherden wrote.

According to Sherden, the first step in establishing a customer retention program is to create a time line of a typical customer relationship, outlining all the key events and interactions that occur between the first contact with and the eventual loss of the customer. The next step is to analyze the company's trends in losing customers. Customer defections may be related to price increases or to a certain point in the relationship life cycle, for example. Finally, small business owners can use the information gathered to identify warning signs of customer loss and develop retention programs to counteract it.

STRATEGIES FOR RETAINING CUSTOMERS

One basic customer retention strategy available to small business owners involves focusing on employee retention and satisfaction. A company with a high turnover rate may not be able to maintain strong personal relationships with its customers. Even if relationships are established, the customer may decide to take its business to a new company when its contact person leaves. At the very least, high turnover creates a negative environment and reduces the quality of service provided to customers. In order to reduce turnover, it is important to provide employees with career development opportunities and high degrees of involvement in the business.

Another possible strategy for retaining customers involves institutionalizing customer relationships. Rather than just providing contact with individual employees, a small business can provide value to customers through the entire company. For example, it could send newsletters or provide training programs in order to become a source of information and education for customers. It may also be possible to establish membership cards or frequent-buyer programs as direct incentives for customer retention.

Some companies may be able to use electronic links to improve the service they provide to customers. For example, e-mail connections could be used to provide updates on the status of accounts, electronic order systems could be used to simplify reordering and reduce costs, and online services could be used to provide general information.

Sherden noted that customer retention programs are particularly important in volatile industries—those characterized by fluctuating prices and product values. In this situation, superior service may discourage but not prevent customer defections. Some strategies that may be useful to companies in volatile industries include providing stable prices over the customer life cycle, basing prices on the overall cost and profitability of the customer relationship, and cross-selling additional products and services. All of these strategies are intended to minimize the changes and problems customers experience, thus making them want to maintain the business relationship.

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