Measuring ROI on training

Is the money spent on training worth it? This is a key question that most organisations struggle with because levies are paid and training budgets used but has the training provider delivered?

According to Mark Orpen, CEO of Institute of People Development (IPD) these are not only tough questions but the answers often depend on the questioner. "Line managers measure one-way, learners another but financial managers measure return on investment (ROI)," he explains. "Measuring ROI in training lies in the quality management of the learning outputs. The meaningful questions are - does the line manager measure transfer of learning to work? Does the learning result in improved productivity? Did the training impact on the organisation's bottom line?

"Many seminars addressing ROI promote models and techniques that may be useful in different contexts but to ensure that learners become competent and that the answers are favourable, we need to look at projects in training that credible training providers have delivered and see lessons learnt because, unfortunately, consultants do not always measure productivity.

"Experience has shown that SETAs most often chase numerical targets and 100% pass rate is expected. To achieve this and therefore to be paid, providers simply lower the standards – which hardly delivers the ROI the company is looking for. Another problem is where funding apportionment is matched to a per learner budget, which encourages numbers rather than suitable candidates.

"What is needed is to structure the remuneration of deliverables based on the quality indicators that ensures high quality learning provision. This would probably increase the tender price by 30% as definable deliverables would be set through research into the company's needs and candidates would be pre-qualified. However, this is paid back in the long term through quality and added value – remember "goedkoop is duurkoop.''

According to the IPD, three critical success indicators must be used to make sure that these sector level projects succeed and remuneration to providers should be linked to outputs to these indicators.

- Access to the learning through admission testing (SAQA unit standards stipulate access requirements and minimum competence levels for entry that accredited providers will train against). A needs analysis is essential - this is why there is only 60-70% pass rate because the assumed learning level was not there in the first place. Pre-assessment testing is key.
- Ensure that terms of participation are agreed upon – often learners are not released from their work so they fall out of the project because there is not enough time to complete tasks – training periods must be realistically set. Paying on pass rates compromises quality.
- Learner guidance and support is appropriately provided. Though learners might meet the entry-level requirements, they might not understand the ETD context, as it is new to them. This requires costly handholding from the provider, so set it aside as an extra training cost.

"Most of the SETAs do not pay the provider until the work is done, mainly driven by a history of disappearing trainers," continues Orpen. "However, by manipulating the funding so that the providers end up financing the project is contrary to their provider development ethic. The SETA should rather check the provider out and then pay a deposit to allow the trainer to provide some of the upfront research costs.

Orpen concludes, "Trading quality for price sensitive procurement decisions will most certainly result in poor end results – the equation is simple, no money – no productivity."

IPD has facilitated large-scale projects across many SETA training projects to develop skills development facilitators, assessors, moderators, vocational educators and workplace trainers. It uses hands-on, change management approaches that ensure transformation takes place on the shop floor, thus improving productivity and service across a range of workplace environments.