

HOW TO ACHIEVE AND EVALUATE SKILLS DEVELOPMENT ROI

By Mark Orpen, Chief Executive Officer and Chairman of The Institute of People Development (IPD)

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Benjamin Franklin is quoted as saying; “An investment in knowledge pays the best interest.” Yet, in an economy where nothing is certain, many companies shy away from real knowledge building, to avoid the perceived cost and the headache they assume determining return on investment (ROI) will be.

However, putting the heart-warming stories of the advancement of staff and the improvement of productivity aside, when it comes down to the cold hard cash, there *are* simple ways to evaluate and analyse the ROI on skills development. When approaching the calculations, it is essential to consider the data from a Learning and Development (L&D) perspective, while applying a general understanding of statistics and a model that can easily be taught, implemented and replicated.

In certain cases, the determination of ROI is clear cut. If a sales person isn't making any sales, goes on a course and then comes back to work and makes sales, the return is clear; more sales. Perceived complications arise, however, when measuring the ROI on soft skills such as conflict management and diversity management. The process is not as complicated as you would think. With the right advice and guidance, an ROI evaluation becomes the simple application of a consistent methodology.

Whenever financial outlay is involved, it is important to bring it back down to numbers. In fact, the SA Board for People Practices (SABPP) is campaigning to make mathematics compulsory for Human Resources employees; it recognises that analytics is a part of the job. The fact is that a business runs on numbers, it runs on the bottom line – if your training is part of your business then you have to be able to bring those numbers back down to bottom line, and whether or not the positive effect is worth the spend. Often training departments and HR have gripes about the fact that they have to justify budgets, but every department has to validate its spend, so why not rather learn the skill?

A good starting point is to determine the objectives of evaluating ROI. While quality control and business value are primary considerations, additional objectives could include: improving the quality of learning programmes; determining whether the training programmes' objectives have been met; identifying potential strengths and weaknesses in the learning programmes; developing a cost/benefit analysis of training and skills development (SD)

investments; supporting marketing of training or SD programmes; determining a programme's appropriateness for the target audience; and assisting in decision making about programme investments, to establish funding priorities.

The Phillips Model outlines certain levels to get to the final point of ROI evaluation. The first level is reaction, satisfaction and planned action, which measures participant reaction to and satisfaction with the training programme, and participants' plans for action. The second level looks at the learning, measuring skills and knowledge gains. The third level considers application and implementation, gauging real changes in on-the-job application, behaviour change, and implementation. The fourth level is business impact, determining the effect of the training on the business. The last level is ROI, comparing the monetary value of the business outcomes with the costs of the training programme.

If we venture to the softer side, L&D ROI impacts on Retention, Operations and Integration. It does, to a large extent increase engagement, meaning less *retention* issues and fewer recruitment costs. It increases motivation, giving staff a sense of being acknowledged and important enough to be upskilled, which increases *operational* capacity. These benefits are huge; and aren't always identified through analytics. The *integration* of staff through development is essential to their ongoing motivation and efficiency.

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Boilerplate:

Founded in 1999, Workplace Skills Solutions t/a The Institute of People Development (IPD) strives to equip, prepare and certify practitioners to serve South Africa's skills development strategy and facilitate the transformation of education and training. Over the years, IPD has become the preferred people development partner to most state owned and private enterprises in Southern Africa. IPD has assisted over 500 public and private training providers across most sectors of the economy to achieve or maintain accreditation through consulting, training and providing published guidelines. For more information, please contact IPD at trainingenquiries@peopledev.co.za on (011) 315 2913 or visit www.peopledevelopment.co.za.

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