PASSPORT

Why ROI Isn't Enough

A shareholder focus may drive ROI evaluation—but stakeholders in the Netherlands want more.

By Reinout van Brakel

Ever since Donald Kirkpatrick introduced the four levels of evaluation, academics and training professionals alike have scurried to research articles, read books, and attend seminars on evaluation and the return-on-investment of training. Despite ROI's popularity, the "ASTD 2001 State of the Industry" report notes that training and development professionals spend merely 6 percent of their time on evaluation. I'd hazard a guess that the figure is lower in Europe.

In the Netherlands, for example, university students do most of the research on the effectiveness and impact of training, and sometimes their efforts result in training policy changes. The real test comes after the students conclude their projects:

- Does the t&d department continue the students' efforts by measuring the results of training regularly?
- Does the department attempt to show ROI?

- Does the organization implement evaluation policies and procedures?

Typically, the answer to those questions is *no*. PricewaterhouseCoopers in the Netherlands is trying to change that. For more than three years, PwC has conducted evaluations using the methodologies of Kirkpatrick and Jack J. Phillips.

But here's the rub: For projects in the Netherlands and Germany, PwC has found that cultural and institutional differences affect the feasibility of measuring ROI.

Paul Boselie, Jaap Paauwe, and Paul Jansen, in their *International Journal of Human Resource Management* article, "Human Resource Management and Performance: Lessons From the Netherlands" (November 2001), provide support for our experience. They state that a focus on stakeholders—instead of shareholders—encourages a different system for measuring HRM results. A focus on shareholder value is a driver for measuring ROI; however, Dutch companies must also pay attention to such stakeholders as customers, employees, and trade unions.

Knowledge of stakeholder importance in training decisions has helped PwC tailor evaluation methods. That's a complex task, especially when you take into consideration that in the Netherlands, and to a lesser extent in Germany, the Rhineland economic model has been predominant for the past two decades. The Rhineland model depicts a state governed by close coordination of political partners, trade unions, and industry associations. That means that the relationship between business strategies, HR policies, and performance is moderated significantly by institutions and stakeholders, both inside and outside of the organization. Such collective bargaining agreements and labor laws prescribe, prohibit, and influence HRM practices and policies.

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To further complicate matters, France, Germany, and the Netherlands have tax systems that reward companies when they invest in training. Those countries offer a tax refund based either on a percentage of payroll or on the number of days each employee spends in training—prescribed training that's based on a core curriculum rather than on individual performance needs. That reward leads companies to track training input instead of output.

Performance data is another factor that affects the feasibility of measuring ROI. Whether you work in the Netherlands or the United States, to measure the impact of training, you need data that supports change in knowledge, skills, performance, or business. While consulting in the Netherlands and Germany, PwC found that individual performance data is often missing.

But that shouldn't come as a surprise; you'll find no "Employee of the Month" in those countries because performance doesn't play a large role in their salary and reward systems. In addition, setting personal performance goals and making individual contributions to a team effort is often perceived as a threat. That means less effort is spent on tracking individual performance, which lessens the evidence for impact of training. Currently, t&d organizations in the Netherlands don't invest in systems that could prove training's impact because even if you experience an increase in sales due to a particular training initiative, you don't get paid better for it.

Based on our experiences, PwC developed the following guidelines for implementing evaluation:

Assess the organization's readiness. Before you start evaluating, use a readiness assessment tool such as an interactive dialogue. Send an email to organizational stakeholders asking,

- Is performance transparent throughout the organization?
- How do you measure individual and team performance?
- What capabilities does the organization have to measure those results?
- What data is available on individual performance related to training or change?
- What decisions can you make based on the evaluation outcomes?
- If there are no consequences of ineffective training, why bother measuring it?
- What barriers to measuring performance do you expect?

Don't just throw money at training. Change happens when you link training to business strategies and measure the impact of training—and when you have stakeholder support. Because so many stakeholders have a say in training matters, management is often prevented from making decisions based solely on ROI or shareholder value. A change management approach that creates awareness, knowledge, and acceptance is essential when you want to make the training function more results-focused.

Know the barriers and enablers. Richard Swanson and Elwood Holton introduced the concepts of performance drivers and performance outcomes. They suggest

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that *What enables performance?* is a less threatening question to ask than *What was the performance outcome as a result of training?* Knowing the enablers provides managers with information on how to develop and support their people, which has the added benefit of increasing stakeholder involvement.

Training evaluation in Europe usually consists of a lot of Level 1 (reaction) and Level 2 (learning) measurement and almost no measurement of Level 3 (job performance), Level 4 (impact), or Level 5 (ROI). Although Level 3 measurement is often perceived as a challenge, knowing performance enablers and barriers is equally perceived as adding value. The need to know the drivers and outcomes of training only further endorses the need for a complete cycle of evaluation. That process includes conducting a needs assessment and setting SMART objectives. Recognition of those forces will persuade t&d professionals to make a shift from training broker to performance consultant.

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