



**THE EFFECTS OF TRAINING ON THE FINANCIAL
PERFORMANCE OF SOUTH AFRICAN COMPANIES;
A CONCEPTUAL TRAINING FRAMEWORK**

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ABSTRACT

In a South African first, training to retrench has become not only a reflection of the economic climate, with the government offering a strategy for retention through its Training Layoff Scheme, introduced in 2009, but also a method by which government can offer employers incentives to engage in skills training initiatives. The concepts of layoff and retrenchment become merged and training is identified as the focus to survive and move on from the economic downturn of 2008/9.

This puts training squarely 'on the boardroom table', necessarily interweaving it with a company's business plan, while bringing the ability to measure training and its effects into the equation.

In the very competitive international arena of business and trade in which South Africa operates, the only means to growth and productivity, both acceptable and sustainable, lies in development and training of the country's workforce. Moreover, a review of literature supports this study's focus, namely the effect of training on the financial performance of SA companies. An examination of existing literature, comprised of books, magazines, newspapers, journal articles, published and unpublished theses, amongst other material, is also the method employed to obtain a clearer picture of the reality that is training today, while clarifying the view on financial performance and whether it is impacted by training or not.

To this end, a Conceptual Training Framework has been adapted for this study and proposed as basis for a holistic training framework, which ought to be developed to align business with actual practice. This was done because, at present, the framework is biased, reflecting only the traditional view of training and development, and ignoring the training for retrenchment balance, in a South African context, with other measures in place elsewhere in the world that are, likewise, not considered.

The appraisal of literature shows the majority of authors and researchers in agreement that a positive relationship does indeed exist between training and both financial and non-financial firm performance. However, since the 2008/9

economic downturn and subsequent introduction of the TLS, managed by the CCMA (Commission for Conciliation, Mediation and Arbitration), the effect of training has not been researched, insofar as the financial performance of SA companies is concerned. It is recommended that case studies be undertaken at identified, pre-selected companies to study this 'new' role assigned to training in practice, to establish the change and its effects on firm performance, potentially redefining business strategies that could benefit the economy.

Key words: training, financial performance, training effect; measurement, conceptual framework.

** The terms 'firm' and 'company' are used interchangeably in this study*

DECLARATION OF ORIGINALITY

I declare that the work enclosed is my own work and certify that the dissertation/thesis has not been submitted for a degree at any other university.

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DEDICATION

I dedicate this work to my beloved brother

Clayton Drummond Bubb

1967 - 2017

*You fought with me; you fought for me,
You made me cry; you made me laugh,
You stood up for me; you stood by me,
You closed your eyes; you broke my heart*

*And now my dear brother
I look up into the night and I see a bright, shining star
And I know it is your smile saying:
'Sis, I told you, you could do it and I am proud of you!'*

*So, my dear brother
I dedicate this milestone in my life to you
And thank you for believing in me
For encouraging me
And for instilling in me the will to proceed and to succeed.*

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LIST OF ABBREVIATIONS AND ACRONYMS

ABET	Adult Basic Education and Training
ALMPs	Active Labour Market Programmes
CCMA	Commission for Conciliation, Mediation and Arbitration
CG	Corporate Governance
Cosatu	Congress of SA Trade Unions
CPM	Corporate Performance Management
DoL	Department of Labour
DPSA	Department of Public Service and Administration
EAPs	Employee Assistance Programmes
ERM	Employee Relations Management
EPWP	Expanded Public Works Program
GEAR	Growth, Employment and Redistribution Policy
ICT	Information and Communication Technology
HR	Human Resources
HRD	Human Resources Development
HRM	Human Resource Management
ILO	Independent Labour Organisation
LRA	Labour Relations Act
MICT	Mining Information and Communication Technology
MERSETA	Mining and Energy Resources Sector Education Training Authority
NDP	National Development Plan
NEDLAC	National Economic Development and Labour Council
NQF	National Qualifications Framework
NSA	National Skills Authority
OBE	Outcomes-Based Education
RDP	Reconstruction and Development Program
ROE	Return on Equity/Emotion

ROI	Return on Investment
SA	South Africa
SAQA	South African Qualifications Authority
SARS	South African Revenue Services
SD	Skills Development
SDL	Skills Development Levy
SETA	Sector Education Training Authority
SME	Small and Medium Enterprises
SMMEs	Small, Medium and Micro Enterprises
SPSS	Statistical Package for Social Sciences
TLS	Training Layoff Scheme
TMs	Training Methods
UIF	Unemployment Insurance Fund
WTO	World Trade Organisation

CHAPTER 1

INTRODUCTION AND BACKGROUND

1.1 INTRODUCTION

The business problem being studied is the effect of training on a company's financial performance in SA. Unfortunately, literature shows that companies do not know whether training provides a financial return, nor do they specifically train to retrench/layoff staff, which is further compounded by companies' inability to evaluate whether training does in fact yield a financial Return on Investment (ROI).

1.2 BACKGROUND TO RESEARCH

Intangible assets, such as the investment in training, have long been recognised as playing a crucial role in economic development (Ballot 2002: 3). A large number of theoretical and empirical studies in the United States of America, Europe and the United Kingdom show the most powerful predictor of productivity and profitability improvement is the investment in training (Blandy, Dockery; Hawke, and Webster 2000: vii). SA studies concur, whether in large or small firms, and regardless of which staff component is studied, worker or CEO (Mbonyane and Ladzani 2011; Egelsner and Rena 2012), individuals, firms and entire economies traditionally stand to reap substantial financial, as well as non-financial returns from well-designed and delivered training programmes (Doucouliagos 2000: vii).

Understanding the drivers of the training process enables a rational approach to the issue and an appropriate mix of strategies can be selected from to yield positive firm performance, reflected in the financial statements.

Research question

The question driving this study, however, is what is the effect of training on financial performance of SA companies? At the outset, it is perceived that this review of literature, to establish the effect that training does have on financial

performance of firms, will show positive results, as many studies have investigated the relationship and found it to be significantly positive.

Crucial to the research question is thus the cost of training, and this is where the problem lies. The reality is that it is mostly not possible to measure whether training has an effect on financial performance of companies in SA, because finance is mostly 'not involved' in training and vice versa. When these two components of business exist as mutually exclusive, even within government, training cannot be found to have an effect on financial performance and can, therefore, not be measured.

Frameworks used for training at present focus on employee development in particular, disregarding the counter of retrenchment, which is now incorporated as a training support measurement by the SA government, in order to aid companies in dealing with the retention of staff, including layoff/retrenchment. For this reason, a Conceptual Training Model will be adapted specifically for this study, to act as basis for the development of a holistic training framework that is advocated, applicable to SA companies.

1.3 BACKGROUND TO CURRENT SITUATION IN SA

Ngcwangu (2014: 151-164) notes "how the term 'skills' has gained currency since the 2000s as opposed to the notion of education and training which was espoused in the 1990s". The author explains that the term 'skills' designates a specific "form of task-oriented work and signals a normative departure from an all-encompassing educational process integrated with training".

Nonetheless, in a SA first, training to retrench has become not only a reflection of the economic climate, with the government offering a strategy for retention through its TLS, introduced in 2009, but also a method in which government can offer employers incentives to engage in skills training initiatives. The concepts of layoff and retrenchment become merged and training is identified as the focus to achieve

In the very competitive international arena of business and trade in which SA operates, the only passport to acceptable and sustained growth and productivity lies in development and training of the country's workforce (Van Dyk, Nel, and Loedolff 1992: 4). Studies have found that small and medium enterprise (SME) owners frequently have neither experience in the management of their businesses nor the necessary training, with a lack of management skills identified as one of the serious hindrances to business growth, resulting in business owners making poor management decisions (Thornhill and Amit 2003; Cheung 2008; Ihua 2009).

This lack of abilities and skills is also highlighted by Ahmad (2009: 98-104) as one of the factors that hampers small business growth. As a result, Mboniyane and Ladzani (2011: 553) state that 'SME owners, in not being equipped, cannot be expected to meet society's future needs'.

SA is in a position where it has become a matter of urgency to develop basic skills and sufficient professional and managerial potential to bolster businesses of all sizes and across all sectors so that the country may compete effectively in the international arena (Van Dyk *et al.* 1992: 4), resulting in the potential to steady the country's unstable economy.

1.3.1 Layoff versus Retrenchment

According to an explanation on Labour Laws – Layoff and Retrenchment (Ilbanswers 2012), the important features of layoff and retrenchment consist of the following:

- An employee in an industry is said to be laid off when they report to work at the given time and are not provided with any work by the employer, within two hours of reporting.
- Layoff is temporary in nature, unlike retrenchment, which is permanent.
- Layoff can be done due to various reasons such as natural calamity, accident, shortage of raw materials, shortage of working capital, etc.

- Layoff can be done either for the full day or for a particular half of the working day. For example, an employee can be laid off for the morning work session but can be employed for the afternoon session, and vice versa.
- It has been held in decided cases that an employee is not entitled to compensation if they do not accept alternative employment, which is given within a 5km radius of the existing workplace.
- If shortage is caused by strike action in another department of the industry, then again the employees are not entitled to compensation for the period laid off, and also if an employee does not report to work within the allotted period he shall not be entitled to compensation.
- An employee is entitled to 50 percent of pay as compensation during the period laid off.
- A casual worker cannot be laid off.
- For a worker to be entitled to compensation they must have their name entered in the muster rolls and must also have continuous service in the industry.

(Ilbanswers 2012)

On the other hand, an employee who is terminated from their employment, for any reason other than termination as a form of punishment by the employer, is said to be retrenched. Every retrenched employee is entitled to compensation.

The following does not amount to retrenchment:

- Voluntary retirement.
- Superannuation.
- Retirement due to illness.
- As a result of non-renewal of the contract of employment between employer and employee.

(Ilbanswers 2012)

Conditions precedent to retrenchment comprise: Notice to employee; compensation; permission of appropriate authority; and continuous service.

Usually in retrenchment, a policy of 'first comes first goes' is used, where an employee who joins the industry first is retrenched first, while other employees are retrenched based on seniority.

1.4 TRAINING LAYOFF SCHEME

Noteworthy is the SA Government's use of training in countering the effects of the 2008 global economic crisis on job retention with the Training Layoff Scheme (TLS), managed and administered at present by the Commission for Conciliation, Mediation and Arbitration (CCMA) (Hendriks, 2016). Initially, it was the tripartite social dialogue forum, the National Economic Development and Labour Council (NEDLAC) that developed a framework for a job retention strategy, to mitigate "the adverse effects of the global economic crisis" Benjamin (2014: 15).

The TLS was the first of its kind launched by the SA Government. As of January 2011, the scheme had supported 7 286 workers at a cost of ZAR21.3 million (US\$3.01-million) in training allowances. The performance of the scheme has not met expectations, with existing and available funds not being accessed to the extent required to show a positive impact.

Hansen (2012) provides reasons for the failure in a "Preliminary assessment of training and retraining programmes implemented in response to the Great Recession" by the Independent Labour Organisation (ILO) (2012), attributing it to "mainly men being beneficiaries of the scheme, reflecting the fact that the manufacturing sector accounted for more than 90 per cent of the participants" (Hansen 2012: 22). The sector is made up of automotive and motor components, metal and engineering, as well as food and beverage. Women's employment in these sectors is generally low. Other participating industries in the TLS programme that were identified include mining, wholesale and retail trade, clothing/textile and leather, plastic, brick manufacturing, cleaning and forestry, as well as the steel industry.

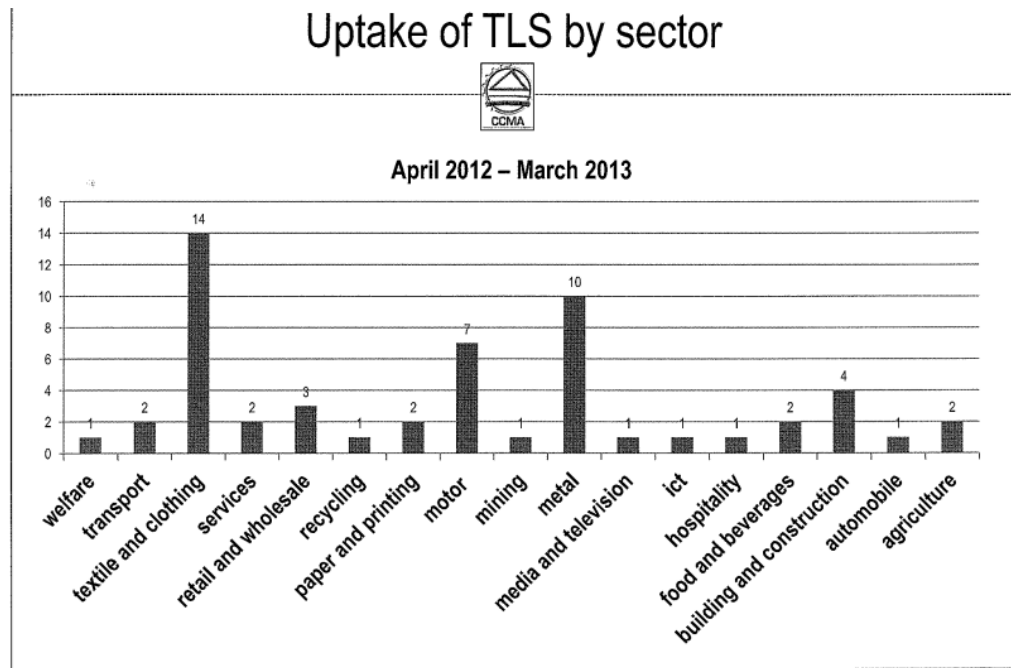


Figure 1: Uptake of TLS (CCMA 2013)

The uptake of the scheme by sector (Figure 1) was presented to a Select Committee on Labour and Public Enterprises by the CCMA Employment Security Unit (CCMA 2013).

As a new programme, the ILO (2012) points out that the TLS was plagued by a number of design and implementation issues, with a plethora of government agencies charged with a role in implementation, and a number of these agencies were not prepared to manage these new responsibilities or to work together effectively.

1.4.1 Employee Assistance Programmes

The use of training in this manner is a follow-on from Employee Assistance Programmes (EAPs), such as the case study reported on by Xaba (2003) in the steel industry which, although described as unsuccessful and voluntary, introduced a measure of training previously not considered or included in existing frameworks and models. The literature on EAPs is vast on a global scale and prior to the 2008/9 global economic crisis, research focused on employee

assistance as a corporate responsibility, with Mokgorosi (1997) explaining the SA EAP experience and model.

Whereas Xaba (2003) finds that failure with the EAP studied, which was the first of this kind, was mostly attributed to management, due to training only being offered 'after the fact' (once retrenchment had been enacted), inadequate consultation, as well as outsourced training, were also indicated as main contributors to programme goals being neither achieved nor measurable.

1.4.2 The Social Development Plan

From a government perspective, the Social Development Plan was meant to address the gap left by the failure of EAPs and non-existent, if any, government support measures to ensure training. Ngele and Erasmus (2007: 29) state the purpose of the Social Development Plan Guidelines as the management of retrenchments on a large-scale and to "ameliorate their effects on employees". To review the practical and theoretical application of the Social Development Plan, Ngele and Erasmus (2007: 29-36) conducted a comprehensive literature review, as well as two case studies.

The research findings identified various challenges that inhibit the effective management of retrenchments. These challenges were analysed and interpreted and a new model to effectively manage retrenchments developed, which is centred on a company's business plan; the concept is a participative performance-driven governance approach between management and employees, focusing on business results. The model suggests the use of employment relations management (ERM) and corporate social investment as vehicles to manage retrenchments effectively (Ngele and Erasmus 2007 :35).

Unfortunately, without support and uptake by the business sector, the plan did not meet expectations and was considered a failure. The time lag created a double impact as the void left in the failed attempt to address equalised training of all workers, specifically those laid off and retrenched, was then filled with the

'fallout' of the economic downturn of 2008/9. This impact is difficult to measure as many measures introduced in 2009 are only now coming to the fore as potential solutions, leaving almost a decade of little or no progress on the training front.

1.4.3 TLS Framework

Introduced as an added measure to avoid retrenchment and enhance productivity, the TLS framework offers employers incentives to engage in skills training initiatives. In effect, the vision of the TLS was to provide a temporary suspension of work for workers who face resignation/retrenchment in offering them an option of training to acquire skills with which to find employment once the training programme was exited. The workers retain their contracts while in training. Ramutloa (2009) presents "A Guide to the Training Layoff Scheme" on the Department of Labour's website.

In a study by Hendriks (2016: 46), the author explains that workers on the TLS are trained for a short period of time and remunerated at 75 percent of their wages during training; this is funded by the Skills Education Training Authority and National Skills Fund. The purpose was to train workers to become more productive and competitive. After the recession, it was expected that the economy would revive and the workers be rehired. Those workers would then be more skilled and more productive after the training, and the firm ought then to receive more returns from the 'up-skilled' workers. Further advantages include that employers also save on wages and that better job opportunities can be competed for by these workers (Hendriks 2016).

The TLS is described as a necessary tool to address the unemployment problem in SA (Hendriks 2016), while it could also ensure Skills Development (SD) in preparing those who are newly unemployed and who wish to follow the entrepreneurial route, with a better chance at success.

In support of this view, Hendriks (2016: 46) states that “the CCMA...saved 3 773 jobs in 2011/2012 and 4 725 jobs in 2012/2013...It is estimated that the number of formal sector employment jobs saved in 2011/2012 was 0.04 percent, and this strengthened to 0.05 percent in 2012/2013”.

The concerns about the TLS have been that “it was only promoted in economically rich provinces...” while “...some of the employers in rural areas were not even aware that the TLS exists”. Hendriks (2016: 47) points out that it was further found that, having to travel long distances to the offices of the CCMA discouraged “those who knew” to make use of their services.

Other concerns with the scheme are reflected in the media and online. According to the Department of Economic Development (Sabinet.co.za 2011), “The parliamentary portfolio committee on economic development has expressed concern about the under-utilisation of government’s training layoff scheme”, while The Sowetan (November 2011) describes the TLS as “...a SA first”, explaining that “This program...has now become a permanent feature of CCMA work in the form of a holistic, job saving strategy to both support businesses and save jobs as the global economic situation continues to impact on South Africa.” More recently, The New Age (December 2015) reports on jobs that had been ‘saved’ by the TLS, which saw the workers being retrenched after the time-consuming process of the TLS proved too lengthy for the company to sustain.

Various policies have been attempted by government to solve the unemployment problem. Hendriks (2016: 56) explains that these range from the ‘large’ category of policies, to the more specific labour market policies and, more recently, the implementation of the Employment Tax Incentives Bill (also known as the Youth Wage Subsidy Bill), since 1 January 2014.

The Reconstruction and Development Program (RDP), Growth, Employment and Redistribution Policy (GEAR), AsgiSA (2012), and the recently launched National Development Plan (NDP) count among the large category, while more specific

labour market policies include the Expanded Public Works Program (EPWP) and promotion of small, medium and micro enterprises (SMMEs).

1.5 PROBLEM STATEMENT

Many SA companies fail to recognise the critical relationship between strategic business planning and training (Van Dyk *et al.* 1992: 52) and the contribution of these towards the achievement of the company's goals, resulting in positive financial performance.

Unfortunately, since the global, economic downturn in 2008/9, with limited research published on various business sectors showing little or no improvement since then, pressure has grown on companies to increase or maintain profits (Improve Performance and Profitability). Training is an expensive cost item (Van Dyk *et al.* 1992: 82) and in the current economic climate, budget cuts receive priority, predominantly resulting in training being sacrificed first (Van Dyk *et al.* 1992: 82). With the introduction of the TLS, a retention strategy that cuts cost and incentivises its use, while equipping employees with skills needed to survive retrenchment, it is no longer an option to simply cut training from an already tight budget (Hendriks 2016).

Moreover, doing business in a dynamic, ever-changing environment (Blundell, Dearden and Meghir 1996: 4) necessitates continuous training and retraining (Blundell *et al.* 1996: 8), as knowledge and training are fast being shown to be becoming obsolete (Ballot 2002: 10). In SA, the focus is on turnover, market share, profitability, and so on, and not on the factors responsible for these outcomes.

Inadequate training will impair profits and success, with resultant consequences, such as high labour turnover and poor employee morale. In addition, where companies in distress could previously retrench, they are now encouraged to redeploy, and under the CCMA and TLS, enter a process of training those identified for layoff.

This means that, when an enterprise experiences difficulties and it seems inevitable that staff will have to be retrenched in order to downsize the workforce, the TLS is able to cut operational costs, while subsidising the training/upskilling of the enterprise's workforce (Hendriks 2016).

Research studies seem to focus on the content of training, company needs versus human capital, the impact of training on various sectors of industry and a variety of other topics, yet none has been identified that specifically addresses training for retrenchment. No model exists, and although the TLS framework was introduced in 2009 and has changed departmental hands regarding administration, it is still a fully functioning scheme, more and more being reported on in the media (Allix 2016).

This has necessitated questioning the TLS's success and whether this 'model' could be adapted to be incorporated in all training models, ensuring an upskilled workforce that, once unemployed, are better equipped to enter the market as entrepreneurs, successfully starting their own businesses and employing others in turn.

This study will, however, adapt a Conceptual Training and Development Framework (Agyei 2014) to incorporate retrenchment/layoff, to reflect reality on the ground in SA, resulting in a Basic Training, Development and Retrenchment Framework (Figure 10). Included is the interchangeable use of the terms 'retrenchment' and 'layoff' by the South African government and a potential solution to determining the actual effect of training on a firm's financial performance in SA. The extended Conceptual Training Framework (Figure 10) can be implemented by SA companies to ensure a more balanced process, wherein training takes both development and retrenchment into account.

1.6 OBJECTIVES

1.6.1 Main Objectives

The purpose of the research is to establish the effect of training on the financial performance of SA companies through a review of published research on the topic, in order to develop a Conceptual Training Framework. It is anticipated that the outcome will indicate the need for further research into the merging of the concepts of SD and training, as well as retrenchment and layoff through training.

This would be possible through case studies involving companies, where both the government's SD initiatives and TLS have been employed in large, medium and small firms. In the interim, this study will evaluate the effect of training, along with the nature of 'training to retrench', and its contribution to the financial performance of SA companies, highlighting the existing model(s) of training as business tools.

At this junction, the research will provide a Conceptual Training Framework, adapted for this study from literature, on which to base a holistic Training Framework.

1.6.2 Sub-objectives

- Compile a conceptual model of training programmes and methods and their implementation processes based on a literature review;
- Establish local and international training policies and procedures regarding cost of training;
- Examine and analyse costs of training;
- Use the findings to develop/adapt a Conceptual Training Framework relevant to SA, in order that further research may develop the framework into an optimal model of training.

1.7 Research Method and Design

Gray (2013) states that, according to Robson (2002), there are three possible forms of study: exploratory, descriptive and explanatory, whereas Punch (2005)

is cited as maintaining that, where a research area is relatively new or unexplored, descriptive studies may be adequate. It is suggested by Saunders, Lewis and Thornhill (2000) that either a search of the literature, talking to experts in the field or conducting focus groups is done through exploratory studies.

Descriptive studies try to establish a situation's 'picture', person or event, or show how things are related to each other. As Blumberg, Cooper and Schindler (2005) point out, the weakness with descriptive studies is that they cannot explain why an event has occurred.

The research question typically addresses issues from the review of relevant literature, in this study the focus is on what pertains to training, specifically the TLS and its impact on companies' ROI in training. The review attempts to gain knowledge on the relevant facts pertaining to the TLS.

The study's contribution lies in the conceptual framework developed, through which researchers and trainers alike can work with a more realistic presentation of training and its impact on South African companies' financial performance.

1.7.1 Methodology

The research problem as discussed above was used as the foundation for the choice of the research methodology. An exploratory research methodology was employed in this study, due to the limited academic research on the subject.

The overall research design of the study included data collection through a review of literature, sampling, validity, and reliability and ethical considerations.

- **Sampling**

The sampling approach that was used in the study is non-probability sampling because the study did not necessarily require a sampling approach, with all available and accessible publications and information on the research topic scanned.

- Validity

Due to the nature of the study (exploratory), empirical validation was not possible. Theoretical or conceptual validation was therefore employed. From a methodological point of view, in order for the research to be comparable, an extensive literature review will be conducted.

- Reliability

In exploratory research it is not possible to achieve reliability through the production of consistent results. The reliability was achieved through precision and objectivity when data was gathered; with analyses and interpretation of data and presentation of findings.

- Ethical consideration

The data gathered was considered not fabricated or falsified to achieve a particular outcome, contributing to the study's ethical consideration.

1.7.2 Research Approach

There are three basic components of a research approach, namely a philosophical world view, research design and methods of research (Fig. 2). When a specific research approach is selected it requires the matching of research design with methods. A philosophical world view originates from epistemology considerations, which according to Grover (2015: 1) "determines a paradigm as per the philosophical orientation of a research approach". It is the overall strategy chosen to find a solution to the research problem, known as its design and explained by Grover (2015) to require "coherent integration of varying study components in a logical way, ensuring the problem is solved in an efficient way".

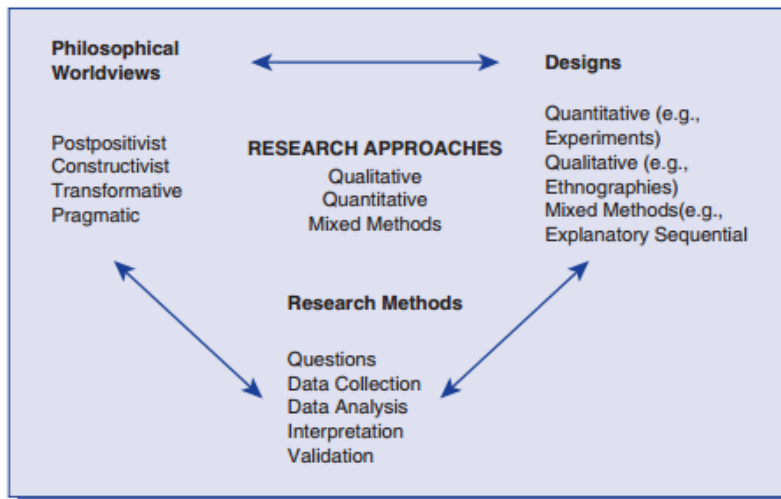


Figure 2: Framework for research design and research methods
Source: Grover (2015)

Exploratory research can be quite informal, relying on secondary research, such as reviewing available literature and/or data, or qualitative approaches, such as informal discussions, and more formal, through in-depth interviews, focus groups, projective methods, and case studies or pilot studies (Vaisali 2011).

This study is theoretical, providing insight into similar research conducted into this field, consisting of a summary of the view of other authors in available literature and reports regarding training, including training to retrench, specifically the TLS.

1.7.3 Research Design

The research design outlines how the researcher intends to answer the research question (Grover 2015), with the main function of research design being to enable the researcher to plan an appropriate research process that should maximise the validity of the eventual results.

Of the three possible forms of study discussed (Gray 2013), namely exploratory, descriptive and explanatory research, this study is exploratory, even though concurring with Punch (2005) that descriptive studies are best suited to a relatively new or unexplored research area. As Saunders *et al.* (2000) suggest, the means of conducting exploratory research can be achieved through

'conducting focus groups, a search of the literature, or talking to experts in the field'.

The failing with descriptive studies is that even though they describe a person or event to outline a situation, or reveal the relationship between things, they cannot clarify the reason an event has taken place (Blumberg *et al.* 2005).

The nature of this research study is therefore qualitative, archival and as a review, takes the form of a 'desktop study', by obtaining information pertaining to training and its effect on financial performance of SA companies through secondary sources. The research approach was, as stated by Bussin and Modau (2015), "ex-post facto in nature in that the focus was on reporting the characteristics of the variables rather than playing any role in manipulating them" (Saunders *et al.* 2000).

1.8 LITERATURE REVIEW

Education, training and development must not be confused as having the same meanings. This research focuses on the aspect of training that is comprised of "the use of specific means to inculcate a specific learning, using techniques that can be identified and described", according to Gerber, Nel and Van Dyk (1994: 216). This study supports the authors' view that, "training is therefore a deliberate effort to teach specific skills, knowledge or attributes to serve a specific purpose...and it should result in the trainee's being able to do a specific job effectively...".

The literature review seeks to explore:

- The definition of training;
- The constitution of a company's financial performance in SA;
- The measurable effect of training on a company's financial performance; and,
- Whether the current training framework/model reflects practice;
- Retrenchment and layoff as part of HR strategy, with regards to training;
- The TLS: general awareness and use of the TLS;

- The difference between EAPs and the TLS; and
- Other job retention strategies that involve training.

1.8.1 The Nature of Training

Characterised by ongoing technological enhancement, the business world today embodies globalised trading markets and increasing competitiveness (Jones, Benyon, Pickernell and Packham 2013). Working practices have, subsequently, become ‘increasingly sophisticated’, with the requirements and provision of training having, as a consequence, progressed accordingly.

There is, on the one hand, a body of literature that generally supports the positive influence training has on business performance, visible through improvement in quality, productivity, labour turnover, and financial results. Literature further shows that training assists companies in creating sustainable competitive advantages based on their HR. In addition, various authors identify the importance of training as a tool (Aragón-Sánchez, Barba-Aragon and Sanz-Valle 2003; Huang 2000; Smith and Whittaker 1999; and Jones *et al.* 2013). Companies that invest in employee training and engage in regular performance appraisal are, additionally, more likely to benefit from lower employee turnover (Chandler and McEvoy 2000).

On the other hand, no association between skills/training and growth or profitability was found by a study of more than 1 600 companies through regression analysis (Foreman-Peck, Makepeace, and Morgan 2006). While training is also found to be positively related to HR-type outcomes and enterprise performance, Tharenou, Saks and Moore (2007) find that it is only weakly related to financial performance measures. Cosh, Duncan and Hughes (1998) also claim that there is no relationship between productivity growth and training intensity, measured as either expenditure per enterprise or expenditure per employee.

It was, however, found in a study to establish the effect of training on ‘new hires becoming proficient at doing their jobs’ (Mendoza 1995: 2) that, not only is the

effect of training positive, it also leads to a reduction in costs, while influencing financial performance with regard to 'cost to business'; this varies from equipment to positions and stationery orders, along with updating of operational processes.

1.8.2 Training Needs

Establishing training needs is usually done through a needs analysis, which according to Van Dyk *et al.* (1992: 168), is the establishment of the real causes or needs of the situation, as can be seen from a noticeable problem in performance that needs looking into, to determine which of these training could take up.

The ultimate aim of such an analysis is to determine what needs actually exist, whether these needs are important and how the needs are revealed. The manner in which the needs were distinguished, as well as the best way to deal with these needs and what the main concerns are, also need to be established (Van Dyk *et al.* 1992: 168).

1.8.3 Training Policies

The purpose of a training policy is outlined by Van Dyk *et al.* (1992) as providing advice, opportunities, facilities and financial support; to enable employees to acquire skills, knowledge and related qualifications needed to effectively perform the duties and tasks for which they were employed. This will result in developing their potential to meet future manpower needs of the company and, in exceptional cases, to develop individuals beyond the immediate and foreseeable needs of the organisation (Van Dyk *et al.* 1992: 70). This lays the groundwork for the TLS to be taken up as part of policy development in all areas of training, and for its inclusion as a strategy in retention/retrenchment.

1.8.4 Governmental Acts – Layoffs/Retrenchment

Elsley and Mthethwa (2014: 151) state that:

“...the prevalence of human capital theory assumptions on skills as evidenced in the broad acceptance of outcomes-based education (OBE) reforms and the National Qualifications Framework (NQF) in the post-apartheid state have contributed immensely to the current situation defined as a crisis of skills development”.

Benjamin (2014: 15), in examining the evolving role of the CCMA, refers specifically to the CCMA's collective bargaining department, established in 2007, with two main functions. The first is to assist, support and promote collective bargaining, while the second is to provide guidance to commissioners on all aspects of conciliation and facilitation processes. The author discusses the role accorded the CCMA in resolving retrenchment disputes as part of “...the legislative provisions for dismissal by employers on account of their operational requirements (retrenchments)...”

Labour Relations Act

Employers are required by Section 189 of the Labour Relations Act (LRA) (1995) to “consult trade unions or other representatives or the employees directly on retrenchment”. It is stipulated by the Law that “the parties ‘engage in a meaningful joint consensus-seeking process’ to find alternatives to retrenchment”, however, should this be unavoidable, it is required that the employer “minimise the number of dismissals and ameliorate the consequences to employees.” (Benjamin 2014: 16). The author points out that, under Section 189, retrenchment disputes are only referred to the CCMA once the employee receives their dismissal notice.

Facilitation Procedure and Capacity to Strike

However, the insertion of Section 189A into the LRA in 2002 introduced a facilitation procedure that changes the approach to large-sale retrenchments in a variety of ways. Benjamin (2014: 18) explains the most noteworthy change means that employers of more than 50 employees have to give their employees or their representatives notice of the possibility of large-scale retrenchment, with the employer usually referring the matter to the CCMA for facilitation. The parties

must then attend at least four facilitation meetings over a period of 60 days, after which retrenchment notices can be issued and, where considered unfair, employees may embark on strike action.

Although the 'capacity to strike' over retrenchments is what motivated trade unions to propose changes that led to the adoption of Section 189A, Benjamin (2014: 21) finds that, on the one hand, it was not "the boon that trade unions had assumed it would be", while on the other hand, "the potential for the CCMA to combat job losses constructively has been significantly enhanced". This is partially attributed to the CCMA now being able to facilitate earlier, before dismissal notices have been issued, allowing them to intervene prior to the retrenchment process.

Having been introduced in September 2009, the TLS saw its rules amended in 2011, resulting in the training allowance being increased from 50 percent to 75 percent, with the cap set at R6 239 and R9 358, respectively. The changes to the rules in 2011 are explained by Benjamin (2014: 21) as also "delinking the scheme from the global economic crisis, significantly increasing successful training layoff schemes" (TLSs).

The CCMA embarked on an extensive and intensive publicity campaign since the launch of the scheme to publicise it, conducting more than 200 workshops and presentations in every region in SA during 2010. Unfortunately, many companies, of varying sizes, are still not aware of the TLS and what it entails.

The TLS details will be expounded on in the next chapter, which summarises the literature review.

1.8.5 Return on Investment

The most problematic area of training remains ROI though. Described as a "measure of the monetary benefits obtained by an organisation over a specified period in return for a given investment in a training programme..." Shepherd

(1999: 3) further states that, “ROI is the extent to which the benefits (outputs) of training exceed the costs (inputs)”.

In contrast, it is argued by Weatherly (2003 in Noe 2010) that “ROI and human capital are not synonymous, as people per se do not make up a company’s human capital”. The author points out that this aspect in fact consists as a “collective sum of the attributes, life experience, knowledge, inventiveness, energy and enthusiasm that its people choose to invest in their work” (Weatherly 2003 in Noe 2010).

Human capital’s influence on a company’s financial position is measured through the efficiency and effectiveness of its workforce, with these terms being used inter-relatedly, in measuring the financial and non-financial impact of training. Nonetheless, while efficiency has a direct relation to cost – the more efficient a training method (TM), the less it will cost – effectiveness should be clearly defined and understood to be a measure of the amount of learning achieved, relative to the amount of effort put in. In practical terms, this means the amount of time it takes to complete a piece of training (Lingham 2008).

Furthermore, education, training and development must not be confused as having the same meanings. This research focuses on the aspect of training that, according to Gerber, Nel and Van Dyk (1994: 218), is comprised of “the use of specific means to inculcate a specific learning, using techniques that can be identified and described”. In addition, the authors state that, “training is therefore a deliberate effort to teach specific skills, knowledge or attributes to serve a specific purpose...and it should result in the trainee’s being able to do a specific job effectively...”.

In the case of this study the success would depend on the expected outcome by the enterprise under study. In publishing the findings of the study it is hoped further research will result that will investigate the effectiveness of the TLS from the retrenched workers’ perspective. It is expected that those retrenched, skilled

workers who enter the entrepreneurial market will be better equipped to succeed, opening yet further areas for future research study.

1.8.6 Training Evaluation Process

In order to evaluate training, it has to be understood that staff training is typically subject to stringent controls, especially in times of economic recession. Nonetheless, a variety of TMs exist that allow for easy evaluation, simply based on outcomes.

On the basis of the time dimension, evaluation may be classified as (1) formative evaluation and (2) summative evaluation.

Kirkpatrick (1976) sets out levels of evaluation: reaction, learning, behaviour, and results. The first two levels are easily measured in the classroom, according to Faber (in Mendosa 1995), such as a time-limited test of product knowledge, with additional evaluation done by managers acting as customers. Level three measures “the application of new attitudes, knowledge and skills on the job” by means of follow-up interviews. Level four (results) is then “an actual measurement of the effect the training has on the company (such as increased sales, better quality, or reduced costs)”.

1.8.7 Training Methods

A TM is a tactic or strategy used by a trainer to deliver the content in order that trainees may achieve the objective (Wentling 1992). Numerous studies have identified a variety of ways to meet training needs, with the most commonly understood and effective TMs variously identified by several authors (such as Wentling 1992; Halim and Ali 2002; Jones *et al.* 2013).

Bass and Vaughan (1966) find that determination of TMs ought to be based on the extent to which they are able to help learners increase their willingness to change and actively allow participation of the learners and help transfer learning experiences from training to the job situation. TMs also ought to provide the

learners with knowledge of results about their attempts to improve, while providing some means for the learners to be reinforced for the appropriate behaviour and an opportunity to practise and to repeat when needed, thus motivating the learners to improve their own performance.

The methods proposed by Jones *et al.* (2013) were determined in a study to assess the impact of different TMs on SMEs, (Classified from T1 to T9). The methods range from 'Learning at a local college' to 'E-learning (Chapter 2: sect. 2.7).

Although studies on training provide findings that reveal 'other' TMs, it is found that the basics remain the same. The manner of wording changes according to industry or sector, while dependent on or influenced by the researchers themselves, their affiliations and geographic location, as well as the objectives and expected outcomes.

Halim and Ali (2002), for instance, provide the following descriptions of methods:

1. *Instructor presentation.* The trainer orally presents new information to the trainees, usually through lecture. Instructor presentation may include classroom lecture, seminar, workshop, and the like.
2. *Group discussion.* The trainer leads the group of trainees in discussing a topic.
3. *Demonstration.* The trainer shows the correct steps for completing a task, or shows an example of a correctly completed task.
4. *Assigned reading.* The trainer gives the trainees reading assignments that provide new information.
5. *Exercise.* The trainer assigns problems to be solved either on paper or in real situations related to the topic of the training activity.
6. *Case study.* The trainer gives the trainees information about a situation and directs them to come to a decision or solve a problem concerning the situation.
7. *Role play.* Trainees act out a real-life situation in an instructional setting.
8. *Field visit and study tour.* Trainees are given the opportunity to observe and interact with the problem being solved or skill being learned.

(Halim and Ali 2002)

These TMs (Jones *et al.* 2013) are further expanded on in Chapter 2, as are the findings regarding the methods that have a strong and positive association with business performance, as well as those that do not.

1.8.8 Training Models

Specifically, 'learning by doing' and 'learning by using' are consistent with the organisational learning literature's concept of single-loop learning, in which collective learning is characterised by a single feedback loop model that facilitates 'doing things better' (Argyris and Schön 1990). The double-loop learning model, in which collective learning is characterised by 'doing things differently' or 'doing different things', however, requires "a capability to break path dependency and change technological trajectory through radical innovations, so as to avoid falling into 'lock-in'" (Asheim and Isaksen 1997).

Hence, internally, more in-house providers of training can be seen as providing more relevant and specific training (doing things better). Alternatively, externally, the private sector provides more formal but also more business-specific training (compared with more academic provision from colleges, or more general training provided by government, for example), which may deliver a 'doing things differently or doing different things' approach.

1.9 REVIEW OF LITERATURE AS RESEARCH METHOD

According to Saunders *et al.* (2000: 44), the literature review forms the basis of research because it helps to develop a good understanding of, and insight into, relevant previous research studies and emerging trends. The TLS, falling into the latter category, is understood not only to contribute to the economy; in that retrenched/laid off but trained workers have been entering the entrepreneurial sector, which may offer a boost to the sector from an unexpected source; it also adds to any existing models that measure or establish the effect of training on a company's financial performance.

With the introduction and implementation of the TLS and subsequent research, with this study hopefully the first among many, further avenues for study on the SME and entrepreneurial sector will be required in the application of a more holistic model of training which incorporates the TLS.

A literature review can, according to Botha and du Toit (1999), generally be divided into two phases, with the first being 'the location of source' and the second, 'giving sense and meaning to factual material'. Various studies are cited by the authors, supporting "...the importance of a well-planned literature review, for a clear perspective of the latest research results surrounding the specific subject, as well as the most appropriate research methods used, and the topicality of the research" (Botha and du Toit 1999).

In order to establish the nature of training, as well as introducing the added aspect of training to retrench, it will be necessary to understand both training needs and policies, as well as retrenchment policies and the acts that govern these. These are expanded on in Chapter 2.

1.10 DATA COLLECTION

The data for the study was collected through a review of available published literature, including case studies, expert surveys/interviews, as well as relevant documents.

1.11 ANALYSIS OF DATA

To maximise the research findings and establish validity of the results, it is usual for data to be analysed by means of:

- Statistical Package for Social Science (SPSS) – Quantitative data;
- Content, theme identification and interpretative methods – Qualitative data.

With this study, the review of published literature is anticipated to produce innovative ideas for further study, highlight changes within the fields under review and generate recommendations that will benefit business with regard to training and its effect on SA companies' financial performance.

1.12 RATIONALE FOR THE STUDY

With the purpose to examine and evaluate the effects of training on the financial performance of SA companies, including the nature of training to retrench, it is noted that training itself has become somewhat of a buzzword, with a horde of training agencies and consultants being outsourced (Van Dyk *et al.* 1992: 69). Training to retrench, on the other hand, is a recent concept in SA (introduced in 2009) and research on the Government's TLS specifically is, to date, limited or non-existent. Although it is mentioned in entrepreneurial and SME growth and development studies, research regarding training for retrenchment has therefore specifically become a necessity.

Training expenditure is a unique form of business expense; unlike other expenses, training costs represent an investment by any enterprise in its employees (Blandy *et al.* 2000: 1). The topic of training for retrenchment then requires a complete mind-set change, as it may appear to simply be a cost-cutting exercise, rather than a continued investment that can and does show returns. In addition, the traditional definition of training looks at attempts to increase job related skills of either managers or employees (Jones, Benyon, Pickernell and Packham, 2013), while the TLS takes this further, specifying that training now also applies to where employees are to be retrenched (Hendriks 2016).

Many SA companies, unfortunately, have a negative view of training, with this opinion attributed, among SMEs, mostly to a lack of or non-existent access to much needed business knowledge and information, while in the corporate world top organisational executives, instead, do not perceive the return on investment (ROI) that they expect from approving training budgets (Van Dyk *et al.* 1992: 81).

This could be due to the measurement of training success having traditionally focused on the training content and not the effect of training on companies' output variables. Literature also shows that SMEs frequently do not want to embark on training programmes, fearing that "newly trained employees might leave to work...for a competitor that has not borne the cost of the training. In these circumstances only very enterprise-specific training, such as that which is 'on the job', is likely to be free of this danger" (Jones *et al.* 2013).

Added to this, where there is a limited cash flow in SMEs, or they are being "charged a high price for credit", Jones *et al.* (2013) find that SMEs "may be unwilling to invest in employees in the same way that they will be reluctant to invest in infrastructure expenditure".

This study aims to present a body of evidence, particularly within the current SA labour dispensation, why training can be regarded as the major success variable for a future, prosperous SA, with a much improved and skilled workforce. Convincing methods can be developed, whereby companies of all sizes can assess the productivity and profitability payoff of training, even when it is for retrenchment.

1.13 SCOPE OF THE STUDY

The research will be focused on a literature study of available texts, consisting of relevant books, journals, dissertations, and periodicals, in addition to official reports, papers and publications which relate to the effect of training on SA companies' financial performance, considering the introduction of the concept of training to retrench, which must be taken into account, insofar as information is available.

The expected outcome of this research will highlight the need for case studies of SA companies that have made use of the TLS since its inception in 2009 as part of their training policies, processes and procedures, with specific mention of job retention strategies and how these have been adapted/adjusted to cater for

retrenchment, as well as the expected implications thereof, including the effects on financial performance. Future research would thus be able to identify all the main hindrances to implementation, as well as solutions that allow for successful application in training to retrench; these, incorporated into the training model, will assist any enterprise in distress that considers the TLS as a retention/retrenchment strategy, with practical information that will allow for a better understanding of the effect of training on financial performance.

Information collected through the review of existing and available literature will allow for conclusions to be drawn, possible themes to be identified and a broader picture of the topic under review will thus emerge, allowing for dissemination of information.

1.13.1 Limitations

The scope of the research focuses on SA companies only, while the literature directly related to training for retrenchment is limited, with the concept a SA first. The global picture indicates a variety of similar, yet vastly differing, approaches to establishing/identifying the effect of training on a company's financial performance, taking training to retrench into account.

1.13.2 Delimitations

The topic of training and its effects on financial performance is very broad. While it may differ in specific sectors that require specialised training, where training to retrench is thus not an option, the findings may therefore not be applicable to all industries, resulting in the research findings not being generalised to all sectors.

1.14 IMPORTANCE AND CONTRIBUTION OF THIS STUDY

Training and development is a systematic process for analysing and improving entrepreneurial performance in the business sector (Zoetermeer 2001); this encompasses all of the entrepreneurial performance analysis, training, career development, and organisation development activities provided by tertiary institutions to help entrepreneurs achieve their goals.

It is, therefore, anticipated that the findings will contribute to a more complete training model/framework, with the inclusion of the TLS, and that further research should be conducted to establish the success of the training of retrenched/laid off and upskilled workers, in entering the entrepreneurial arena.

1.15 OUTLINE OF CHAPTERS

The study will be presented in six chapters, as follows:

Chapter 1: Introduction

A brief synopsis of the present situation in SA is presented, relating to the study's objectives, which aim to examine and evaluate the effect of training on SA companies' financial performance, including reference to training to retrench with the TLS, as managed by the CCMA, in order to contribute to an optimal model of training as a business tool. Included are an outline of the study topic, research design and method, as well as the rationale for the study.

Chapter 2: Literature Review: Effects of Training

To achieve the aim and sub-objectives, including the TLS and its implementation processes, literature will be reviewed on: training policies and procedures; training to retrench; cost of training; and whether training provides a financial ROI, including determining training to retrench.

Chapter 3: Literature Review: SA Companies' Financial Performance

This chapter illustrates that the study is predominantly exploratory, while from a methodological perspective it is mainly qualitative. In addition, the possible outcome of the literature review regarding the effects of training is introduced and expanded on.

Chapter 4: Methodology and Results

Although the method of research required an exploratory approach, or 'desktop research', research approaches, designs and methods are expanded on, while

detailing the process this study went through to produce the eventual framework and findings.

Chapter 5: Findings and Interpretation of Results

The results of the literature review are presented with an analysis and interpretation of the findings.

Chapter 6: Conclusion and Recommendations

Based on the findings of the research, conclusions and recommendations, along with potential areas for future study, are put forward, highlighting the importance of the subject under study.

1.16 CONCLUSION

It appears, from the results of a study by Mboniyane and Ladzani (2011: 557), that “the SA government does not have enough support mechanisms available to ensure that small business owners and their employees receive the training that would enable them to run the business successfully”. On the other hand, while the world seemingly teeters on the brink of yet another financial collapse, many sectors are still recovering from the economic turmoil since 2008 and global business remains volatile and ever-changing, with training to retrench/lay off employees now also having to be included in Human Resource (HR) strategies as part of job retention and forced upskilling of staff prior to unemployment. This would also impact the effect of training on the financial performance of companies.

While the first chapter introduced the topic under study, with some background regarding training and companies' financial performance, the next chapter's focus is on the effects of training.

CHAPTER 2

CONCEPTS OF TRAINING AND ITS ASSOCIATED EFFECTS

2.1 INTRODUCTION

The first chapter discussed the background of the study, the research problem, and objectives of the study, as well as delimitations and limitations, with an outline of the chapters also presented.

In this chapter, the literature review presents the effect of training, where training and development is concerned, with a look at training defined. The need for training and structural unemployment are explored, along with the nature of training, its characteristics, models, policies and procedures, along with methods, implementation and duration of training. An evaluation of training processes, costs and effectiveness of training and its returns are discussed, in addition to legislature, dispute resolution and the TLS. A closer look is also taken at published challenges faced by the SA business sector, with regards to training for layoff/retrenchment, and variables that influence training.

In the case of this review, its success would depend on published literature. In publishing the findings of the review it is hoped further research will result that will investigate the actual effect of training on SA companies' financial performance using a holistically developed training framework, based on the Conceptual Training Framework (Figure 10) adapted for this study, along with studies regarding the effectiveness of the TLS from the retrenched workers' perspective. It is, nonetheless, expected that those retrenched, skilled workers who enter the entrepreneurial market will be better equipped to succeed, opening yet further areas for future research study.

A two-part literature review was used as research method, in order to offer information that will lead to a better understanding of the shift that has taken place in 'standard' training frameworks currently in use at SA companies and the

conundrum this has created when establishing the effect of training on a company's financial performance.

Furthermore, the CCMA's merging of retrenchment and layoff practices, from what was previously (prior to 2009) considered the sole domain of the company's Employee Assistance Programmes (EAP) and 'goodwill', along with the human resources' 'hire and fire' section and failed Social Development Plan, has brought training onto the boardroom table as part of a company's financial planning and Human Resource Management (HRM) strategies. Training thus has a much more measurable effect on a company's financial performance, specifically when staff cuts become necessary, through government assisted, mostly outsourced, but formalised training, prior to retrenchment/layoff.

This begs the question as to whether HRM should incorporate training/upskilling of staff for layoff/retrenchment as part of their strategy as a precautionary measure, or include it as standard procedure.

2.2 THE EFFECT OF TRAINING

While training has, on the one hand, been shown to improve a company's financial performance, the review of literature indicates that training concepts and frameworks are in dire need of an update/upgrade to be more inclusive and reflective of current practice. In order to establish the effects of training on a company's financial performance, it is vital to establish the ROI on training.

On the other hand, while the world seemingly teeters on the brink of yet another 'financial collapse', many sectors are still recovering from the economic turmoil since 2008 and global business remains volatile and ever-changing, with training to retrench/lay off employees now also having to be included in HR strategies as part of job retention and forced upskilling of staff prior to unemployment. This would also impact the effect of training on the financial performance of firms.

Since the onset of the economic crisis in 2009, the ILO has released various reports on the impact, including “job training and re-training programmes that have featured prominently in countries’ strategies to protect employment, preserve the skills of the labour force and help displaced workers re-enter the labour market”. The ILO study in question attempted to learn the extent to which these programmes have been successful.

A sample of current job training programmes was reviewed by the ILO Skills and Employability Department, regardless of having been separately undertaken as initiatives or as part of broader recovery policies. The manner in which “job training programmes are re-connecting displaced workers and the long-term unemployed to the labour market, and how they help prepare workers for the types of jobs created by stimulus packages, including green jobs” was studied by the ILO. This allowed for real-time evidence to be drawn “from countries that developed or scaled-up job training and retraining programmes to counter the potentially long-lasting unemployment impact of the great recession”.

The ILO review shows most countries taking a realistic and practical approach in expanding, adapting, and reorienting existing programmes in order to meet new demands for services instead of creating new programmes on an emergency basis. It is highlighted that:

“Their ability to ramp up training programmes and ensure their effectiveness during rapidly changing circumstances in the midst of the economic crisis depended on policy coordination, good communication among stakeholders, flexible training delivery mechanisms, and institutional capabilities.

(Hansen 2012)

2.2.1 Training and Development

The term ‘training and development’ is described as a systematic process for analysing and improving entrepreneurial performance in the business sector (Zoetermeer 2001); this encompasses all of the entrepreneurial performance

analysis, training, career development and organisation development activities provided by tertiary institutions to help entrepreneurs achieve their goals.

2.2.2 Training Defined

By definition, training is the methodical acquirement and development of “knowledge, skill, and attitudes” needed by employees to perform a job or task adequately or to enhance performance in the work environment (Chen, Hsu and Huang 2013). Prior studies document that training is positively related to both HR outcomes, such as low absenteeism, low turnover, and motivation, as well as organisational performance, such as output or quality (Aragón-Sánchez *et al.* 2003; García 2005; Guerrero and Barraud-Didier 2004).

2.3 THE NEED FOR TRAINING

As Noe (2010: iv) states, training’s role has become so much more than “training program design”. While the importance of instructional design that is effective remains, there is an increasing call for trainers and training managers, as well as HR experts, “to create systems to motivate employees to learn, create knowledge, and share that knowledge with other employees in the company”. The focus of training has, according to Noe (2010), traditionally been more of a ‘one-time event’, yet today the expectation is that training must create ‘conditions for learning’ made possible by means of collaboration, along with various methods, such as traditional classroom training, online learning, or a blend of methods (Noe 2010).

The author highlights that, more and more, it is acknowledged that “learning occurs outside the boundaries of a formal training course”.

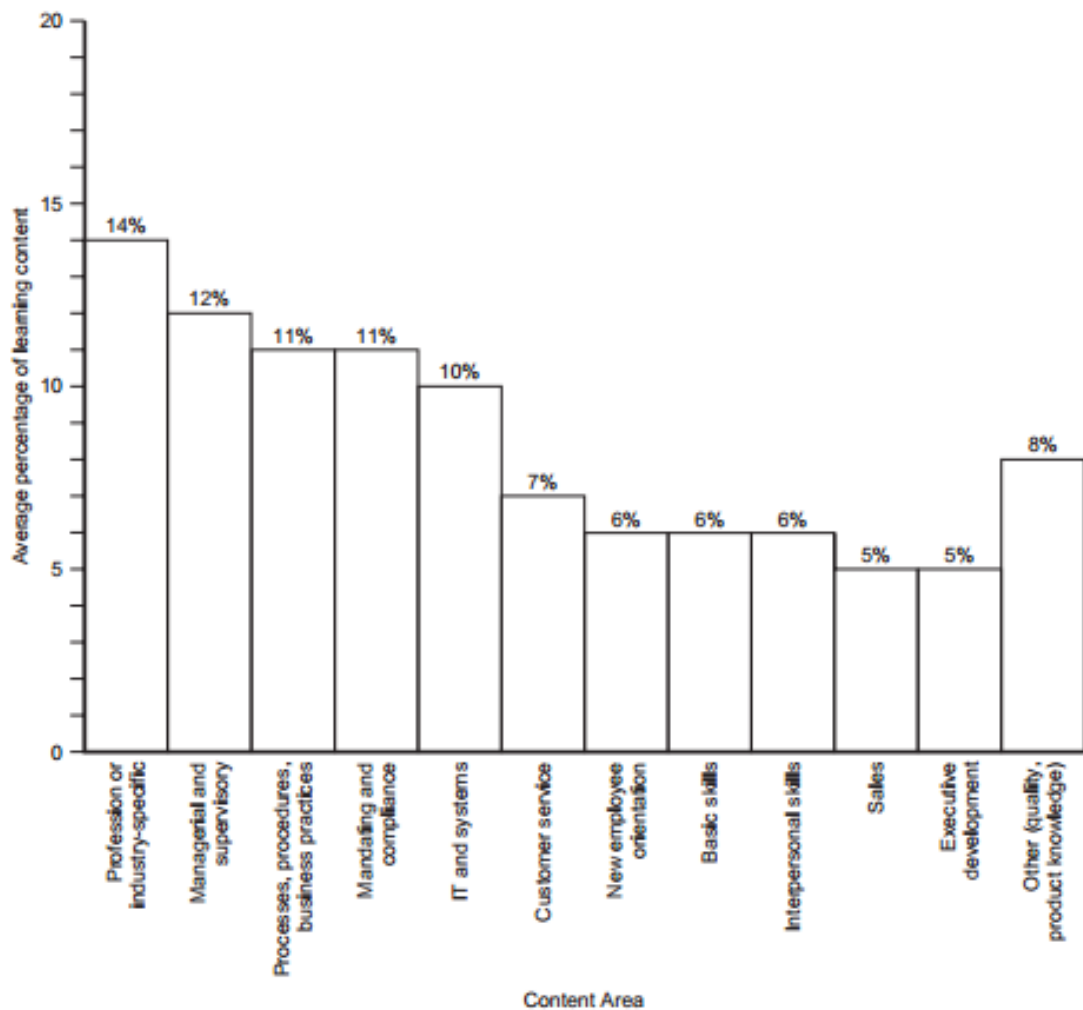


Figure 3: Different types of training provided by companies

Source: Noe (2010)

Note: Data from consolidated responses from companies that submitted their annual data as part of ASTD's benchmarking progress. Based on an ASTD 2008 report.

Training is offered in a variety of types (Figure 3) and formats, ranging from SD to continuing professional education, including workshops, mentoring and formal classroom education and training.

Ngcwangu (2014) states that “The post-apartheid state ushered in a period of wide-scale reform of public policies, amongst which were reforms to the country’s education and training systems.” These reforms were to act as a course whereby reparation for “...the historical imbalances created by apartheid’s racialised labour market...”, were initiated. In his study on SD in post-apartheid SA,

Ngcwangu (2014) points out that the unfortunate outcome of these public policy reforms has been what is characterised by McGrath, Badroodien, Kraak and Unwin (2004) as a 'low skills regime'.

"The democratic government has", according to Ngcwangu (2014: 151), "chosen contradictory approaches to development", aimed at remedying historical imbalances, as well as economic and social policy choices which have to date not been successful "in transforming the character of the SA economy". The SD discourse is thus an expression of 'ideological and political' disputes that arose in the political transition period within this broader policy development framework. The author's contention is that the current situation, defined as a crisis in SD, has developed due to "the prevalence of human capital theory assumptions on skills, as evidenced in the broad acceptance of Outcomes Based Education (OBE) reforms and the National Qualifications Framework (NQF) in the post-apartheid state" (Ngcwangu 2014: 151).

Allais (2011: 11 in Ngcwangu 2014) highlights the key problem with SD in SA as the underlying qualification model. "The model is based on, and reinforces atomised skills for fragmented jobs, while it has been cumbersome and difficult to use, because of the tendency of competency-based systems to lead to narrow but lengthy over specified qualification."

A small proportion of skilled workers and a large number of unskilled workers characterise the SA labour market, according to Hendriks (2016). In effect, higher unemployment figures, with unemployment in SA concentrated in the unskilled workforce, can be broken down into the demand for skilled workers exceeding the supply of skilled workers, with the supply of unskilled workers exceeding the demand for unskilled workers.

2.3.1 Structural Unemployment

The most serious type of unemployment in SA is that of structural unemployment (Chadha 1994 in Hendriks 2016), which refers to the overall inability of the

economy to provide employment due to structural imbalances (Barker 2007). This type of unemployment could occur even should the economy flourish. During economic upswing, this type of unemployment takes place because employment cannot adjust rapidly enough to the prosperity of the economy. Some of the reasons why this occurs include the rapid growth of the labour force, the use of capital- or skills-incentive technology and an inflexible labour market (Hendriks 2016).

Structural unemployment arises due to a “mismatch between the skills demanded and supplied in a given area or an imbalance between the supply of and demand for workers across the areas”, as noted by Hendriks (2016: 5). It is found that mismatches occur because of the fall in demand for one kind of labour, while there is a rise in demand for another, with the supply to the demands not adjusting fast enough.

The determinants of structural unemployment are numerous. Hendriks (2016) explains that structural unemployment relates to the nature of the labour market, as well as the composition of aggregate demand (Dornbusch and Fisher 1992 in Hendriks 2016). “It is difficult for a work seeker to find work even if the person is willing to work for a lower wage because of the complexity of the labour market.” On the other hand, the author points to the argument (Ehrenberg and Smith 1982 in Hendriks 2016: 6) that one of the biggest determinants of structural unemployment is the technological change, where labour is substituted with capital. Various reasons for this are put forward, such as trade union pressure for higher wages, technological development, a structural decrease in economic growth and unemployment benefits.

2.4 THE NATURE OF TRAINING

The business world today is characterised by ongoing technological enhancement, globalised trading markets and increasing competitiveness (Jones *et al.* 2013). This has resulted in working practices becoming ‘increasingly

sophisticated', with training provision and requirements having, consequently, evolved accordingly (Saunders *et al.* 2000).

The importance of training as a tool is identified by various authors (Aragón-Sánchez *et al.* 2003; Huang 2001; Smith and Whittaker 1999; and Jones *et al.* 2013). Literature shows that training assists companies in the creation of sustainable competitive advantages based on their HR.

Benefits and Companies that invest in employee training and engage in regular performance appraisal are likely to benefit from lower employee turnover (Chandler and McEvoy 2000). A body of literature exists generally supporting that training positively influences business performance. This is visible through enhanced productivity, quality, labour turnover and financial results. However, this evidence is disputed by a study of more than 1 600 companies through regression analysis, which found no association between skills/training and growth or profitability (Foreman-Peck *et al.* 2006). Tharenou *et al.* (2007) find that, though training is positively related to HR-type outcomes and enterprise performance, it is only weakly related to financial performance measures. Cosh *et al.* (1998) also claim that there is no relationship between productivity growth and training intensity, measured as either expenditure per enterprise or expenditure per employee.

Nonetheless, in a study to establish the effect of training on 'new hires becoming proficient at doing their jobs' (Mendoza 1995: 2), it was found that not only is the effect of training positive, it also reduces costs, impacting on financial performance insofar as cost to business is concerned; this ranges from stationery orders to positions and equipment, as well as streamlining of operational processes.

Education, Training and Development

In addition, education, training and development must not be confused as having the same meanings. This research focuses on the aspect of training that,

according to Gerber, Nel and Van Dyk (1994: 218), is comprised of “the use of specific means to inculcate a specific learning, using techniques that can be identified and described”. In addition, the authors state that, “training is therefore a deliberate effort to teach specific skills, knowledge or attributes to serve a specific purpose...and it should result in the trainee’s being able to do a specific job effectively...”.

An agreement/commitment by Labour, Business and the State to SD named the ‘National Skills Accord’ was recently (2012) facilitated by the SA Government. The Accord has been touted as a stimulus for “the creation of five million jobs by the year 2020”, with the basic assumption that “a more bureaucratically efficient skills development institutional machinery of SETAs, Further education and Training (FET) colleges and other institutions, will provide the basis for the widening of access and an expansion of skills in the country” (Ngcwangu 2014: 155).

There are two types of training, formal and informal, according to Cedefop (2010).

Formal training

This type of training refers to learning that occurs in an organised and structured environment (for example, in either an education or training institute or on the job) and is explicitly designated as learning (in terms of objectives, time or resources). Formal learning is intentional from the learner’s point of view. It typically leads to validation and certification (Cedefop 2010).

Patton and Marlow (2002: 261, in Jones *et al.* 2013) distinguish formal training as a plan that recipients and deliverers can equate to “an intervention which has a structured mode of delivery, where the aim is to impart new awareness or knowledge of a workplace process or activity”.

Informal training

Learning resulting from daily activities related to work, family or leisure are referred to as informal training. It is not organised or structured in terms of objectives, time or learning support. Informal learning is, in most cases, unintentional from the learner's perspective (Cedefop 2010).

Informal training is also defined by Jayawarna *et al.* (2007: 324, in Jones *et al.* 2013) as "ad-hoc, fragmented and flexible" while Jones *et al.* (2013) cite Hill and Stewart (2000) and Kotey and Folker (2007) as further describing it as reactive, unplanned and with the focus being short-term.

Companies that operate in growing markets with increasing product or service demand are identified by Reid and Harris (2002, in Jones *et al.* 2013), as presumably more likely to invest in training activities. In addition, formal training is found to be more significantly linked to enhanced business performance than informal training (Jayawarna *et al.* 2007, in Jones *et al.* 2013).

Frameworks

Regardless of the type of training made use of, a framework that incorporates both the company and its stakeholders' objectives needs to be established. Various factors feature in the design of training, dictating methods and resources. Nonetheless, when a thorough needs analysis is done, objectives can be met.

The fact that funding/budget is not considered implies it has been previously set or will, once the framework is agreed on by management, be established. This creates a problem where a company is suddenly faced with, for example, a need to downsize and training has not been budgeted for in the upskilling of staff prior to layoff.

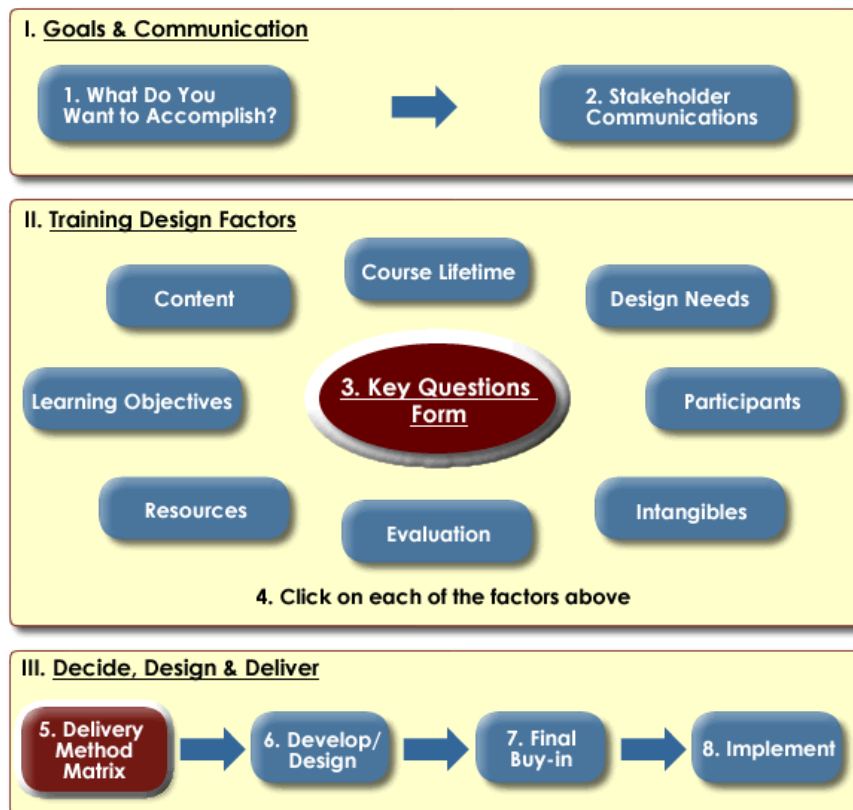


Figure 4: Visual representation of Training Design and Delivery Framework

Source: <http://web.mit.edu/training/trainers/guide/framework.html>

In the above framework (Figure 4) for the design and delivery of training, the linear model represents the steps used by trainers to chart progress. However, establishing the effectiveness of training does not measure its effect on a company's financial performance.

2.5 TRAINING MODELS

Specifically, 'learning by doing' and 'learning by using' are consistent with the organisational learning literature's concept of single-loop learning in which collective learning is characterised by a single feedback loop that facilitates 'doing things better' (Jones *et al.* 2013). Double-loop learning, in which collective learning is characterised by 'doing things differently' or 'doing different things', however, requires a capability to break path dependency and change technological trajectory through radical innovations, so as to avoid falling into 'lock-in' (Jones *et al.* 2013).

Hence, internally, more in-house providers of training can be seen as providing more relevant and specific training (doing things better). Alternatively, externally, the private sector provides more formal, but also more business-specific, training (compared with more academic provision from colleges, or more general training provided by government, for example), which may deliver a 'doing things differently or doing different things' approach.

2.6 TRAINING POLICIES AND PROCEDURES

The purpose of a training policy is outlined by Van Dyk *et al.* (1992: 70) as providing advice, opportunities, facilities and financial support to enable employees to acquire skills, knowledge and related qualifications needed to effectively perform the duties and tasks for which they were employed. A training policy furthermore ensures that employees develop their potential to meet future manpower needs of the company, and in exceptional cases, individuals can be developed beyond the immediate and foreseeable needs of the organisation.

(Van Dyk *et al.* 1992: 70)

It is the last training policy purpose that lays the groundwork for the TLS to be taken up as part of policy development in all areas of training, and for its inclusion as a strategy address retention/retrenchment.

2.7 TRAINING METHODS

Meeting training needs can be achieved by various means, the most conventional of which are identified by Jones *et al.* (2013). As mentioned in Chapter 1, these TMs were determined from a study to evaluate the impact of different TMs on SME business performance:

T1 – Learning at a local college

T2 – Learning through a government programme

T3 – Learning through a local college but within the workplace

T4 – Somebody within the workplace providing on the job training

T5 – Learning by doing/in-house training by staff

T6 – By a private trainer in the workplace

T7 – By a private training provider outside of the workplace/area of work

T8 – Distance learning

T9 – E-learning

Jones *et al.* (2013)

TMs with the most positive association with improved business performance are found by Jones *et al.* (2013) to be:

- Training provided by somebody within the workplace (T4);
- In-house training by staff or learning by doing (T5);
- An external, private service provider offers the training (T7);
- E-learning (T9).

There are two TMs (T1: 'Learning at a local college' and T6 'private in-the-workplace training') that indicate a positive association with business performance, however, the relationship does not compare to that of the four TMs above. Less important TMs, or those found to not be contributing to the improvement of business performance, are:

- Government programme training (T2);
- Learning within the workplace through a local college (T3);
- Distance learning (T8).

(Jones *et al.* 2013)

2.8 IMPLEMENTATION, DURATION AND FREQUENCY OF TRAINING

Once the planning phase of a training programme is complete, it is then time to implement the course.

2.8.1 Implementation

This is the point where a trainer activates the training plan, or it is the process of putting a training programme into operation. The first step towards implementing a training programme is publicity. Most of the well-established training centres develop training brochures which contain course descriptions, prepare an annual calendar of training opportunities, and inform concerned organisations, agencies, or departments well ahead of time about their training plans.

2.8.2 Resources

Once the training centre and concerned organisations agree to implement training, the next step is to arrange available resources, such as sufficient funds for the course and facilities for food, lodging, transportation and recreation. All these resources need to be well managed and co-ordinated to run the programme smoothly.

2.8.3 Frequency and Duration

Four decades ago, Kirkpatrick (1976) offered a way of evaluating training programmes through four criteria, with the first being reaction, followed by learning, then behaviour and lastly, results (Figure 5). A training programme's different aspects are measured by means of each of the criteria. This means that, up to a point, the learner's abilities and the content being learned would dictate training frequency and duration (Larsen 2014).

Reaction measures how the trainees liked the programme in terms of content, methods, duration, trainers, facilities and management.

Learning measures the trainees' skills and knowledge which they were able to absorb at the time of training.

Behaviour is concerned with the extent to which the trainees were able to apply their knowledge to real field situations.

Results are concerned with the tangible impact of the training programme on individuals, their job environment or the organisation as a whole.

Many people have commented that problems usually arise in the implementation of training, particularly in Levels 3 (Behaviour) and 4 (Results), as illustrated in Figure 5. Kirkpatrick (2009) states that: "...the best and shortest solution to that is an understanding of the concept of a 'chain of evidence'. The basic premise is that an end result is the product of a series of things done over time and not just one factor".

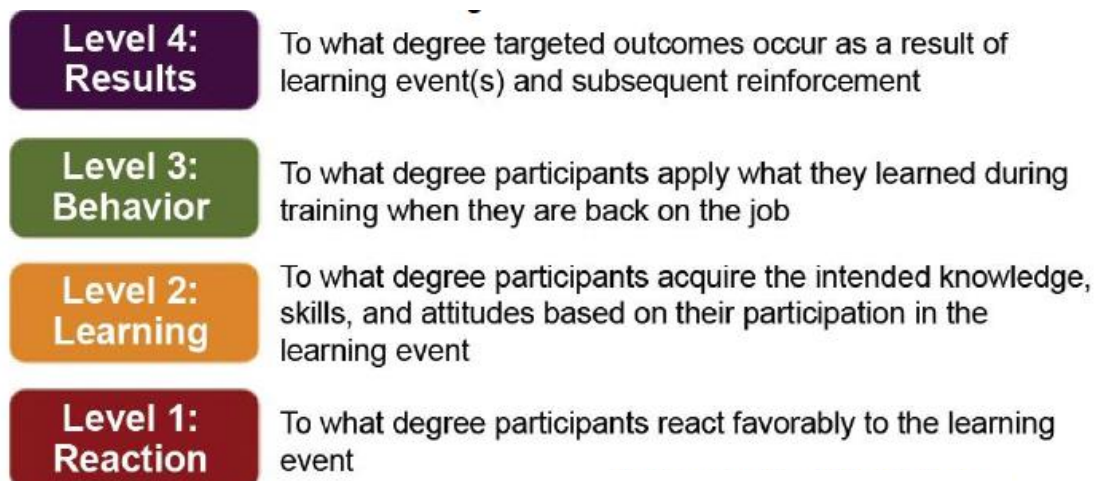


Figure 5: Kirkpatrick's Four Levels

Source: Larsen (2014)

2.9 EVALUATION OF TRAINING

Evaluation may be classified, on the basis of the time dimension, as (1) formative evaluation and (2) summative evaluation. *Formative evaluation* involves the collection of relevant and useful data while the training programme is being conducted. According to Barba Aragón, Jiménez and Sanz-Valle (2012), this information can identify the drawbacks and unintended outcomes and is helpful in revising the plan and structure of training programmes to suit the needs of the situation. *Summative evaluation* is done at the end of the programme and makes an overall assessment of its effectiveness in relation to achieving its objectives and goals.

2.9.1 Types of Evaluation

Business training is comprised of formal training that covers all aspects of management, including leadership, motivation, delegation, communication and

negotiation, as explained by Egelsner and Rena (2012). Evaluation was, however, classified into four major types almost three decades ago, by Raab, Swanson, Wentling and Dark (1987):

- 1 Evaluation for planning provides information with which planning decisions are made. Training contents and procedures (methods and materials) are usually planned at this stage in order to choose or guide the development of instructional aids and strategies.
- 2 Process evaluation is conducted to detect or predict defects in the procedural design of a training activity during the implementation phase. Through this process the key elements of the training activities are systematically monitored, problems are identified, and attempts are made to rectify the mistakes before they become serious. Process evaluation is periodically conducted throughout the entire period of the programme.
- 3 Terminal evaluation is conducted to find out the effectiveness of a training programme after it is completed. The objectives of terminal evaluation are to determine the degree to which desired benefits and goals have been achieved, along with the causes of failure, if any.
- 4 Impact evaluation assesses changes in on-the-job behaviour as a result of training efforts. It provides feedback from the trainees and supervisors about the outcomes of training. It measures how appropriate the training was in changing the behaviour of participants in real-life situations.

(Raab *et al.* 1987)

In order to evaluate training, it has to be understood that staff training is typically subject to stringent controls, especially in times of economic recession. Nonetheless, a variety of TMs exist that allow for easy evaluation based simply on outcomes.

Mendoza (1995) refers to 'The Four Levels of Evaluation', developed by Donald Kirkpatrick in 1959, highlighting that trainers at major American companies developed criteria based on this model providing enough benchmarks to judge

the success of their training programmes. This change from the norm focused on the behavioural development of staff, both during and after a training programme, assessing the results of this type of education.

2.9.2 Levels of Evaluation

These levels of evaluation, as set out by Kirkpatrick (1994) comprise reaction, learning, behaviour and results. The first two levels are easily measured in the classroom, according to Faber (in Mendosa 1995), such as a time-limited test of product knowledge with additional evaluation done by managers acting as customers. Level three measures “the application of new attitudes, knowledge and skills on the job” by means of follow-up interviews. Level four (results) is then “an actual measurement of the effect the training has on the company (such as increased sales, better quality, or reduced costs)”.

What is apparent from the literature is that the introduction of technology and subsequent training resulted in extreme behaviour changes in staff, allowing visible confirmation of the practical effects of the training (Mendosa 1995).

Evaluation is, unfortunately, too often “viewed as secondary”, and without proper planning of ongoing evaluation throughout the training process, implementation will be haphazard and measuring the cost or return of investment will be inaccurate. As Haga (in Mendosa 1995) points out: “You have to know what your training goals are, ...then establish your data collection methods, such as revenue targets, profitability of sales, additional closed sales, and sales closure ratio.”

At the same time, others are found to disagree that results can be evaluated to the point where it can be established that it was in fact training that created the difference (Myers in Mendosa 1995), as too many variables are not considered when, for instance, equating sales increases with successful training.

2.10 TRAINING COSTS

Nonetheless, in a study to establish the effect of training on 'new hires becoming proficient at doing their jobs', it is found by Mendosa (1995) that the effect of training is not only positive, it also reduces costs, impacting on financial performance insofar as cost of business is concerned. Cost reduction referred to by Mendosa (1995) ranges from stationery orders (printing paper) to positions (data capture and processing staff) and equipment, as well as streamlining of operational processes.

Costs attributed to training, according to Bernstein and Beeferman (2015) include the possibility that some, or even a significant portion of, companies might lose more than they gain from training programmes, which has been found to be the case with some research. Savings through benefits would then also be considered as part of the training cost calculation, to arrive at an actual cost.

Benefit-to-cost

Bernstein and Beeferman (2015) report on a 1996 study (Benabou 1996) that endeavoured to quantify training costs and benefits through a survey of 50 Canadian organisations, with 42 mostly small- and mid-sized companies, while government entities made up the other 8. Companies were asked in the survey to quantify benefits, such as fewer absenteeism and injuries, lower waste and scrap rates, fewer delays, as well as less turnover, less overtime, and increased productivity, quantified by means of allocating saved work hours. Costs included equipment and direct training cost, along with time for staff to develop a training programme.

Results were standardised through a benefit-to-cost formula, which demonstrated extraordinary returns were enjoyed by 30 percent of the organisations, varying between \$10 and \$46.3 for every \$1 spent. Returns of \$1.1 to \$9.9 per \$1 spent were seen by another 52 percent. However, the 18 percent remaining either lost more than they gained, were break-even or even.

The studies reviewed by Bernstein and Beeferman (2015: 10) strongly suggest “a significant payoff to training”. Various researchers argue that underinvestment in workforce skills is still prevalent at many companies. Bassi (2004) maintains that a lack of public reporting contributes as at least part of the reason, as does the resulting lack of appreciation of the importance of training by investors. In addition to which the time lag between training and when benefits translate to the bottom line has to be considered.

2.11 EFFECTIVENESS OF TRAINING PROGRAMMES

According to an OECD Skills Studies Report (2013), a number of different factors have been identified to drive training. For firms, the driver is the market, and the need to remain competitive in what is offered to customers. For employees, acquiring skills that can lead to better jobs, and remuneration is the driver. For communities, the driver is to create dynamic industrial and labour markets that survive economic downturns and provide a variety of employment opportunities and increased local development.

The effectiveness of training programmes is dependent on how knowledge, skills, attitudes and opinions are acquired by an individual, thus: the learning process (Idowu 2013). While “learning starts from individuals”, according to Idowu (2013: 180), “a learning organization is founded on the learning process of individuals in the organization.” The author further points out that Ikehara (1999: 63-69) shows individual learning not necessarily leading to organisational learning, yet it is argued that the organisation cannot learn unless individuals learn (Senge 1990; Argyris and Schön 1990).

Organisational learning therefore differs from individual learning, insofar as it “consists largely of individuals involved in learning activities, so it is easy to conclude that it is simply the aggregate of individual learning processes”. Idowu (2013: 180) further explains adaptive and generative learning as complementary processes (Salim and Sulaiman 2011: 119), while Senge (1990) differentiates between adaptive and generative, as adaptive learning focuses on adapting to

and coping with the external environment, rarely involving the questioning of values. Organisational innovation, according to Idowu (2013), depends on the knowledge available to an organisation and produced by organisational learning. Salim and Sulaiman (2011: 120) state it is a necessary variable to “stimulate the development of factors that contribute to innovation and enable the introduction of new ideas, products, services and systems, ahead of other competitors in the industry”.

Innovation is found by Salim and Sulaiman (2011: 118) to be “one of the most important determinants of firm performance, as a result of the evolution of the competitive environment”. According to Idowu (2012), organisational innovation hinges on individual creative ability, applied by some individuals to recreate or invent products that are novel. The objective of innovation is to ‘produce new knowledge’ able to develop and establish lasting solutions for society, while the author also describes the essence of innovation as being to create value for the business.

The influence of organisational innovation on firm performance has been established (Bueno and Ordoñez 2004), in addition to which innovation is further shown (Idowu 2013) to contribute to increased market share, greater production efficiency, higher productivity growth and increased revenue. Moreover, innovation is a practice and process that enables firms to offer a greater variety of differentiated products that can improve financial performance (Idowu 2013).

2.12 RETURNS FROM TRAINING

Establishing whether training is effective is possible, as discussed above, yet the most problematic area of training remains ROI. While ultimate results of training can include increased sales, higher profits, better quality and reduced costs, Kirkpatrick (2014) advocates that firms “be satisfied with evidence if proof is not possible,” due to results being influenced by many other factors.

Described as a “measure of the monetary benefits obtained by an organisation over a specified period in return for a given investment in a training programme...” Shepherd (1999: 3 in Noe 2010) further states that, “ROI is the extent to which the benefits (outputs) of training exceed the costs (inputs)”.

Human Capital

As previously mentioned, the view is, in contrast, held by Weatherly (2003 in Noe 2010) that ROI and human capital are not one and the same, as a company’s human capital does not, intrinsically, consist of people only. A company’s human capital is in fact comprised of a “collective sum of the attributes, life experience, knowledge, inventiveness, energy and enthusiasm that its people choose to invest in their work” (Weatherly 2003 in Noe 2010).

The influence of human capital on a company’s financial position is measured through the efficiency and effectiveness of its workforce, with these terms being used inter-relatedly in measuring the financial and non-financial impact of training. Nonetheless, while efficiency has a direct relation to cost – the more efficient a TM, the less it will cost – effectiveness should be clearly defined and understood to be a measure of the amount of learning achieved relative to the amount of effort put in. In practical terms, this means the amount of time it takes to complete a piece of training (Lingham 2008).

Furthermore, education, training and development must not be confused as having the same meanings. This research focuses on the aspect of training that, according to Gerber, Nel and Van Dyk (1994: 219), is comprised of “the use of specific means to inculcate a specific learning, using techniques that can be identified and described”. In addition, the authors state that, “training is therefore a deliberate effort to teach specific skills, knowledge or attributes to serve a specific purpose...and it should result in the trainees being able to do a specific job effectively...”.

2.12.1 RETURN ON INVESTMENT (ROI)

“The use of ROI is exploding”, says Phillips (2012: xi), attributing this to ROI having “become one of the most challenging and intriguing issues facing the Human Resources Development (HRD) and performance improvement field.” The author identifies several issues as drivers of the increased interest, with the most influential being stakeholder pressure to show the return on training investment.

Phillips (2012) finds the introduction of total quality management (TQM) and Six Sigma, among others, has sparked fresh interest in evaluation and measurement, which includes training effectiveness being measured. Other drivers take account of competitive economic pressure, which examines all expenditure, as well as all training and development costs.

In practice, Phillips (2012: 3) asserts, ROI must “be subjected to accountability requirements...must be explored, considered, and ultimately implemented in most organisations.”

2.13 TRAINING LEGISLATION IN SA

Governmental involvement and functions have, for different reasons, expanded over the years, with SA no exception; public services have expanded and state involvement in various facets of life has increased. The extent to which government is involved in this relationship affects its labour relations (Ferreira 2012). The legislative framework that governs the labour relationship reflects the degree of government’s involvement in the conduct of this relationship.

There are two extremes seen with state involvement in shaping the labour relationship: voluntarism and mandatorism. Where the state provides “a framework of rules for collective bargaining through a legislative framework”, it is termed voluntarism or collective bargaining (Ferreira 2012: 132). The parties involved determine the collective bargaining process outcome; it is not state-influenced as state involvement is minimal and limited. The author states that

there is nowhere that absolute voluntarism exists, nonetheless there are a variety of reasons governing varying mandatory elements in voluntary systems from country to country.

Some of the reasons include the need for government to restore the imbalances in power should labour relationships be left only to the employers and employees, who are the main participants. In addition, there must be a proviso for the government to interfere where labour relations impact adversely on society and the economy. Furthermore, it is necessary in the labour relations sphere for the government to be aware of, and involved with, political developments (Ferreira 2012).

The result is that governments ‘will become involved by allowing for minimum protection to employees and employers, in providing the legal framework for conducting sound labour relations’. The opposite, namely mandatorism, sees some regulation of the employer/employee relationship by the state to some extent with Ferreira (2012: 32) additionally pointing out that “economic instability may also oblige a government to intervene in the labour arena”, as with the TLS.

In her budget speech for 2015, the Minister of Labour, Ms Oliphant, states that the Department of Labour is aware of “its mandate of ensuring that there is decent work pursued under conditions of freedom, equity, security and human dignity – the ideals that drove our people to create a blueprint called the Freedom Charter”.

According to Oliphant (2015), the ‘mandate directs’ the Department:

“To regulate the labour market through policies and programmes developed in consultation with social partners, which are aimed at: improved economic efficiency and productivity; employment creation; sound labour relations; eliminating inequality and discrimination in the workplace; alleviating poverty in employment; enhancing occupational health and safety awareness and compliance in the workplace; as well as nurturing the culture of acceptance that worker rights are human rights.”

The Minister confirmed continued funding of Productivity SA's Turnaround Solutions (a R39-million a year, three-year agreement) by the Unemployment Insurance Fund (UIF). The agreement is aimed at assisting to save jobs at 'companies in distress' and 'keep people in employment'; while also "continuing the re-skilling of beneficiaries who lost their jobs for re-integration into the labour market, through its 'Training of the Unemployed' initiative, in collaboration with various government training institutions". The amount set aside for the financial year 2014 was R210-million, with R1-billion over a three-year, rolling period.

Productivity SA, according to the Deputy Minister of Labour, Nkosi Phathekile Holomisa, "promotes employment growth and workplace productivity, thereby contributing to SA's socio-economic development and economic efficiencies". Through the Turnaround Solutions, Productivity SA, in partnership with the UIF, as well as the Workplace Challenges Programme of the Department of Trade and Industry, "have intervened and provided sustainable solutions to a number of entities and organisations in distress, this last financial year (2015/16)" (Holomisa 2016).

It is worthwhile noting that three training initiatives were rolled out in the 2012/13 financial year (Marrian 2015), involving:

1. A variety of Information and Communication Technology (ICT)-related programmes, benefitting 1 000 UIF beneficiaries and unemployed youth, in collaboration with the MICT SETA;
2. Mining-related artisan programmes for 1 000 recipients, in collaboration with the Mining Qualification Authority; and
3. Several artisan trades, furthering 1 500 aspirants' ambitions, in collaboration with the Mining and Energy Resources Sector Education Training Authority (MERSETA).

Maintained commitment by the UIF amounts to R1.2-billion towards TLS funding.

The following legislation deals directly with training:

SA Qualifications Authority Act, No. 58 of 1995,

The SA Qualifications Authority (SAQA) is a statutory body, regulated in terms of the National Qualifications Framework Act No. 67 of 2008. It is comprised of 29 members that are appointed, in consultation with the Minister of Labour, by the Minister of Education. Mandated by legislation, SAQA administers the development and implementation of the National Qualifications Framework (NQF).

“SAQA’s primary objective is the promotion of a high quality education and training system in SA that embraces the concept of lifelong learning for all.”
(SAQA 1995)

The Act was promulgated in October 1995 and started operations in May 1996, with the authority’s main task being the creation of the NQF. The Framework was ‘under review’ by 2001, after which the NQF Act (No. 67 of 2008) replaced the 1995 SAQA law; both the authority and updated NQF were maintained.

SAQA functions are in effect twofold. Firstly, it oversees the NQF’s development through the formulation of policies and publishing of criteria for registration of those bodies that establish education and training standards or qualifications, while also accrediting the bodies liable for auditing and monitoring of activities in terms of such qualifications and standards.

Secondly, in administering NQF implementation, SAQA has to check and validate the registration, accreditation and assignment of functions to the bodies referred to, while also registering national qualifications and standards on the Framework. This takes place through input to “an electronic management information system which records all relevant information on the achievements of South African learners (the National Learners’ Records Database)”.

In addition, SAQA administers the process to ensure that provisions for accreditations are observed and conformed to and registered standards and qualifications are comparable internationally, where applicable. A further task is the evaluation of foreign educational qualifications in order to ascertain their SA equivalence. This affords foreign qualified potential students, with the aim of attending SA education institutions or entering the SA labour market, the means, through SAQA, to have their qualifications evaluated. As the website points out, “SAQA’s contribution ensures that South Africans have access to quality education and skills development to improve their lives”.

The NQF (2016) sets the guidelines, boundaries and principles that provide a vision, organisational structure and philosophical base from which a qualifications system is constructed. Within these boundaries, detailed development and implementation is performed. All SA education and training fits within this framework.

The framework is further explained as, “a set of principles and guidelines, by which records of learner achievement are registered to enable national recognition of acquired skills and knowledge, thereby ensuring an integrated system that encourages lifelong learning” (NQF 2016).

Comprised of 10 levels, the NQF is further divided into three bands, with levels one to four identifying grades 9 to 12 (high school) or vocational training, while levels five to seven represent technical qualifications and college diplomas, and levels seven to ten denote university degrees.

Skills Development Act, No. 97 of 1998 and subsequent amendments

The Skills Development Act was promulgated by government in 1998 when, according to Barry and Norton (2000: 6-11), SA was “in the midst of high levels of unemployment, low levels of investment in the SA labour market, pronounced

disparities in income distribution, and inequality of opportunity as a result of poverty and apartheid”.

The government aimed to address two main priorities through this Act:

1. The necessity to improve skills and increase productivity so as to successfully compete in the global economy.
2. The need to turn apartheid imbalances around, creating a more cohesive and inclusive society.

In line with the overall government objectives set out above, the purposes of the Act (Sec. 2(1)) are set out by Barry and Norton (2000: 6-11) to include development of the skills of the SA workforce to improve the quality of life of workers, their prospects of work and labour mobility.

Furthermore, the Act's purpose is to improve productivity in the workplace and the competitiveness of employers, to promote self-employment and to improve the delivery of social services. It is expected that this will result in an increase in the levels of investment in education and training in the labour market and to increase the return on that investment.

Employers are to be encouraged through the Act to use the workplace as an active learning environment, by providing employees with the opportunities to acquire new skills and offering opportunities for new entrants to the labour market to gain work experience and employing persons who find it difficult to be employed.

The Act also encourages workers to participate in learning programmes, improves the employment prospects of persons previously disadvantaged by unfair discrimination and redresses those disadvantages through training and education, ensuring the quality of learning in and for the workplace. Work-seekers are further assisted by the Act to find work, while retrenched workers are enabled to re-enter the labour market and employers to find qualified employees, with the

Act not only assisting in the provision but also the regulation of employment services.

With the term 'skill' defined by businessdictionary.com (2019) as “an ability and capacity acquired through deliberate, systematic and sustained effort to smoothly and adaptively carry out complex activities or job functions involving ideas (cognitive skills), things (technical skills), and/or people (interpersonal skills)”, SD is defined by Barry and Norton (2000) as follows:

To provide an institutional framework to devise and implement national, sector and workplace strategies to develop and improve the skills of the SA work force; to integrate those strategies within the National Qualifications Framework contemplated in the SA Qualifications Authority Act, 1995; to provide for: learnerships that lead to recognised occupational qualifications; to provide financing of skills development by means of a levy-grant scheme and a National Skills Fund; to provide for and regulate employment services; and to provide for matters connected therewith.

Skills Development Levies Act, No. 9 of 1999

The government created a platform to give effect to its transformational goals, wherein all stakeholders, in order to protect their interests while discharging their respective responsibilities to their constituencies, are able to give input in the implementation of the Act. In addition, various key institutions were created by government as “vehicles for the fulfilment of its goals”. Funding of SD activities is provided by government via the Skills Development Levies Act 9 of 1999.

The Skills Development Levy (SDL) is an obligatory levy to foster learning and development in SA, and, according to the South African Revenue Service (SARS) (2016), is determined by an employer's salary bill, with funds to be employed to improve and develop employee skills. All employers that have been registered have to pay the SDL one percent of the total employee salaries paid (including

bonuses, payment for overtime, commissions, and lump sum payments, as well as leave pay).

SARS further advises that, “where an employer expects that the total salaries will be more than R500 000 over the next 12 months, that employer becomes liable to pay SDL”. Any SDL amounts withheld by the employer or that have been deducted have to be paid monthly to SARS, with levies distributed via Sector Education Training Authorities (SETA).

Key stakeholders in the successful implementation of the SDL Act include Government, Organised Labour, and Organised Business (Barry and Norton 2000: 6-11):

Implementation levels

Participation is at all three implementation levels (strategic, sector and company), forming part of the National Skills Authority (NSA) at a strategic level. The Department of Labour (DoL) is advised on regarding strategy and policy formulation by the NSA, while at sector level, organised labour takes part in the SETA and is thus involved in the design and implementation of sector-specific skills plans. At company level, labour participates in formulating workplace skills plans and reports, which address both company and sector training needs.

Organised labour protects members’ employability and development by participating in the assorted structures, with its involvement emulated by business at all three levels of implementation. Moreover, organised business, through the payment of levies, funds skills plan implementation.

Once participating companies submit implementation reports of their workplace skills plan, they are reportedly paid fifty percent of the levies, with nearly 20 percent of the levies paid to employers implementing learnerships in addition to other sector-specific skills programmes that have been prioritised. The running of the SETAs is accomplished with ten percent of the levies. It is found by Strong

(2000: 15-19) that productivity is increased through learnerships, which are also employed in improving current skills levels, as well as facilitating the creation of new skills. Strong (2000) further highlights that, in order to sustain and expand employment and build internationally competitive industries, productivity is crucial.

2.13.1 Dispute Resolution

Benjamin (2014), in examining the evolving role of the CCMA, refers specifically to the CCMA's Collective Bargaining Department, established in 2007, with two main functions. The first is to assist, support and promote collective bargaining, while the second is to provide guidance to commissioners on all aspects of conciliation and facilitation processes. Benjamin (2014: 16) discusses the role accorded the CCMA in resolving retrenchment disputes as part of "...the legislative provisions for dismissal by employers on account of their operational requirements (retrenchments)..."

Employers are required by Section 189 of the LRA to "consult trade unions or other representatives or the employees directly on retrenchment". It is stipulated by the Law that "the parties 'engage in a meaningful joint consensus-seeking process' to find alternatives to retrenchment"; however, should this be unavoidable, it is required that the employer "minimise the number of dismissals and ameliorate the consequences to employees" (Benjamin 2014: 17). The author points out that, under Section 189, retrenchment disputes are only referred to the CCMA once the employee receives their dismissal notice.

Nonetheless, a facilitation procedure was introduced with the insertion of Section 189A into the Labour Relations Act in 2002; this changes how large-sale retrenchments are dealt with in a variety of ways. Benjamin (2014: 19) explains the most significant change means that notice of the possibility of large-scale retrenchment have to be given to employees or their representatives, by those who employ more than 50 staff, with the matter usually referred to the CCMA for facilitation, by the employer. At minimum the parties must then, over a period of

60 days, go to four facilitation meetings, subsequent to which the issue of retrenchment notices can be done and, where found to be unfair, strike action by employees may follow.

Benjamin (2014: 24) states that trade unions proposed changes that resulted in the adoption of Section 189A, motivated by the 'capacity to strike' over retrenchments. Nonetheless, sentiments range from it not being all it was thought to be, to the CCMA's potential to combat job losses constructively having been 'significantly enhanced'. The enhancement can be attributed to a degree, to facilitation by the CCMA now being possible prior to dismissal notices having been issued; consent to mediate before the process of retrenchment.

The TLS was introduced in 2009, yet its rules were amended in 2011, as Benjamin explains, this effectively 'delinked' the scheme from the global economic crisis. The amended rules saw the training allowance increase (from 50 to 75 percent) and the cap set respectively at R6 239 and R9 358. An intensive and extensive publicity campaign was launched by the CCMA, since the introduction of the TLS to publicise it; more than 200 workshops and presentations have been conducted during 2010, in every region in SA. Many companies of varying sizes are unfortunately still not knowledgeable about the TLS and what it involves.

2.13.2 The TLS

The use of training by the SA Government in offsetting the effects on job retention by the 2008 global economic crisis is with the TLS, presently managed and administered by the CCMA (Hendriks 2016). While a framework for a job retention strategy was initially put forward by the tripartite social dialogue forum, the National Economic Development and Labour Council (NEDLAC), Benjamin (2000: 22) states its development was aimed at alleviating the global economic crisis' unfavourable effects.

Even though the scheme's performance is reported to not have lived up to its expectations, as of January 2011, the TLS has "supported 7 286 workers at a cost of ZAR21.3-million (US\$3.01-million) in training allowances". Nevertheless, available and existing funds have unfortunately not been made use of in the scope needed to reflect a positive influence.

Writing on the mining sector troubles last year, Minister Ngoako Ramatlhodi (2015) reiterates government's commitment to finding solutions in creating "alternative jobs for mineworkers and a framework for management, employees and unions is being developed." The minister points out that: "Retrenchments will be explored on a case-by-case basis so that alternatives such as utilising the training layoff scheme, reskilling of employees...can be implemented to avoid job losses".

Small scale retrenchments and layoffs

Nonetheless, Marrian (2015) reports in the Business Day newspaper that "CCMA swamped as job cuts rise", while stating that "In the first quarter this year, there was already a 40 percent rise in cases before it [CCMA], with 23 231 jobs at stake compared to the same period last year". Large-scale (anything above 10 jobs is deemed large-scale) job losses in the mining and manufacturing industries had been extensively publicised, but CCMA director, Nerine Kahn, is reported as saying there had been a huge rise in small-scale retrenchments (10 or fewer jobs).

Small-scale layoffs were of concern, as indicated by the Congress of SA Trade Unions' (Cosatu) president, Sdumo Dlamini, who says they tended to be at workplaces that were not unionised and happened away from the public glare (Marrian 2015).

As Marrian (2015) points out, although the official unemployment rate came down in the second quarter, it was largely due to the fact that discouraged people

stopped looking for work. The jobless rate has remained stubbornly high at about 25 percent.

Challenges

However, Marrian (2015) highlights that both the CCMA and trade unions have said workers have had difficulties with taking up the TLS as support measure. Ms Kahn is reported as saying there were "bureaucratic challenges", as it involved co-operation between a number of government departments including higher education and training, and labour. Ms Kahn, CCMA Director, was further reported as stating it was critical to link retrenchments to "up-skilling" workers, ensuring that "where retrenchments are unavoidable, workers go off with some hope".

On the other hand, Mr Dlamini is reported as indicating the TLS' potential to save many more jobs should it be implemented effectively, helping to tackle the skills shortage.

Active Labour Market Intervention

In her budget speech, Minister Oliphant refers to the progress of the TLS in continuing "to assist companies in distress to keep workers on their payrolls whilst skilling and reskilling." The minister points out that "...despite a couple of niggling process-flow related challenges, the scheme remains an important active labour market intervention" (Oliphant 2015).

The CCMA (2016) offers more in-depth information on the scheme, referring to the effect of "the deepest and most serious economic crisis in at least 80 years" and SA's response. Through NEDLAC, in partnership with the Presidency, a collective response was agreed on "to the challenge facing us".

The purpose of the TLS initiative is stated as ensuring "the poor and the most vulnerable are protected as far as possible from the impact" (of the 'Economic

crisis in 2008/9); “that the economy is ready to take advantage of the next upturn and the benefits of such growth are shared by all our people”.

The NEDLAC Framework Document prioritises training and SD, and introduces the training layoff as follows:

“In addition to other measures to avoid retrenchment, one further option that parties will consider is training layoffs financed by the NSF and SETAs; for workers whose employers would ordinarily retrench them; and which can be introduced on terms that would keep them in employment during the economic downturn; but re-skill them as an investment for the future economic recovery.”

Training layoff definition:

“A training layoff is a temporary suspension of work of a worker or group of workers that is used for training purposes. The layoff depends on an agreement between an employer and a trade union on behalf of workers or, in the absence of a trade union, between an employer and individual workers who may otherwise be subject to dismissal for operational requirements. Participation in the training layoff is voluntary.”

(CCMA 2016)

The aims, main aspects, as well as the manner in which the scheme is delivered and operated, along with other parameters, such as employment terms and conditions, including training period and type, and who may benefit in what way, are accessible from the CCMA website. One of the main aspects is that the TLS is a legitimate, government-supported and endorsed instrument of training that has to be considered in the design of any framework where training is seen as a business tool, thus allowing full measurement of its effect on a company’s financial performance.

Process

The TLS is delivered via a single point of entry through the CCMA; this requires all participating parties to work only through the CCMA. Participation in the scheme is recommended by the CCMA, while also facilitating a Training Layoff Agreement conclusion.

Once agreement is reached and participation concluded, the process moves on to SETAs that facilitate training provision, in addition to funding training costs. The SETAs also apply for training allowances to the DoL Committee and transfer funds to employers. Subsequently, the DoL Committee considers the CCMA recommendation and pays training allowances to SETAs on application. Finally, the process culminates in employers paying the training allowances to the affected workers.

Noteworthy are social benefit contributions, paid in full by employers (unless otherwise agreed), comprised of a basic social security package workers are entitled to at the time of the training layoff introduction. The basic social security package includes pension/provident fund, death cover and unemployment insurance. The CCMA (2016) further points out that “a continuation of all existing social benefit contributions, for example medical scheme contributions and housing allowances”, can be negotiated between parties.

Menu of Training Options

Training options that apply to the training of workers in distressed companies, should be linked to the skills needs of the employer, as far as is possible. Various training options may apply, depending on the nature of the business, the position of workers whose jobs are at risk and the future economic opportunities for the employer. The CCMA (2016) states that “The menu of training options may include apprenticeships, learnerships and skills programmes of shorter duration. Training may also include generic workplace skills, such as Adult Basic Education and Training (ABET) courses and other generic skills that may further personal development”.

According to a CCMA media statement on the strategy, its “key driving force” is to improve the effectiveness and efficiency of the SD system. It represents an “explicit commitment to encouraging the linking of SD to career paths, career development and promoting sustainable employment and in-work progression”.

With this in mind, it seeks to promote partnerships between employers, public education institutions, private training providers and SETAs “to ensure that cross-sectoral and inter-sectoral needs are addressed” (Sabinet.co.za 2011)

In an evaluation report by the ILO, Hansen (2012) offers explanations given for the low participation rate in the scheme (7 246 as of January 2011), in comparison to the more than 1-million jobs that have been lost as, firstly, that the scheme was implemented too late. After planning and piloting, the programme was not implemented until January, 2010. In addition, many of those laid off were low-skilled, young, short-term contract staff, whom the TLS is not designed to assist.

2.14 VARIABLES THAT INFLUENCE TRAINING

Chen *et al.* (2013) state training as, by definition, the “systematic acquisition and development of knowledge, skill, and attitudes required by employees to adequately perform a task or job or to improve performance in the job environment (Goldstein 1980; Latham 1988)”. Training is documented through prior studies to be “positively related to both human resource outcomes (such as low absenteeism, low turnover, and motivation) and organisational performance (such as output or quality)” (Chen *et al.* 2013). However, the authors point out that there is a mixed relationship between training and financial performance (Tharenou *et al.* 2007), with positive results found by some researchers, such as Aragón-Sánchez *et al.* 2003, García 2005, and Guerrero and Barraud-Didier 2004, while others have produced negative findings (Paul and Anantharaman 2003).

Chen *et al.* (2013) hold that the mixed results are attributed to “the lagged effects of training on financial performance”. Training effects on organisational

performance have, according to the authors, been shown to have an average maturing period exceeding the financial year.

A multitude of other factors are affected by training, such as Corporate Governance (CG) (Ntim 2013), which in keeping with resource dependence and political cost theories, has shown a statistically significant and positive nexus between compliance with stakeholder CG provisions and financial performance.

2.15 CONCLUSION

This chapter reviewed literature on training and all its facets, as found by studies of various aspects related directly or indirectly to training. These include definitions, models, policies and procedures, as well as methods of delivery, measurement and legislation.

The next chapter analyses company financial performance, featuring a review of costs of training, returns from training in regard to unpacking the financial performance of training on SA companies' financial performance as well as. The newest addition to be factored into the training definition ought to be that of training to retrench/layoff, the effects of which have not yet been researched, as the SA government only introduced their TLS in 2009. To date, very little has been published regarding the successful implementation of the TLS, with specific reference to the effect on a company's financial performance. This study is the first and therefore exploratory and descriptive.

CHAPTER 3

A SYNOPSIS OF THE IMPACT OF TRAINING ON SA COMPANIES' FINANCIAL PERFORMANCE

3.1 INTRODUCTION

Whereas the previous chapter discussed concepts of training and its associated effects, this chapter offers a synopsis of the training impact on SA companies' financial performance.

Financial reward through training is discussed, as is a breakdown of what financial performance is, followed by theoretical frameworks of general and specific training. Theoretical models linking training to firm performance are examined, including the Resource-based model, Behavioural Perspective Model and Cybernetic Model.

In examining existing frameworks, the basis for the later development of a conceptual training framework is developed, leading to a better understanding of how existing frameworks and training models need to be adapted to reflect the reality on the ground.

3.2 FINANCIAL PERFORMANCE MEASUREMENT

In an extensive study, Mosalakae (2007) explores the financial performance measurement of SA's top companies. The sample comprised 60 companies, with the sampling frame the first 100 companies of the Financial Mail 200 Top Performers for 2004. The study's aims were to find a conclusion on the research problem of whether "SA's top companies use the available arsenal to measure their financial performance?"

As with the current study, Mosalakae (2007) finds the 'arsenal' available to measure financial performance from researched financial literature. Whereas the previous study focused mainly on ratio analysis and interpretation, and the bankruptcy prediction models, this study identifies theoretical models, including

the Resource-based, Behavioural Perspective, and Cybernetic models, also introducing a multi-level analytical framework.

Mosalakae (2007) tests the financial strengths/weaknesses of the top companies with a research instrument “comprised of popular ratios...also found to be ‘logical’, as well as the ratios that make up the Z-Score bankruptcy prediction mode, called the Ratio Map and Z-Score”.

In addition to the Ratio Map and Z-Score, the measures applied by the top companies as ‘highlights’ were analysed to determine the extent at which the measures unearth the strengths/weaknesses of the top companies. The conclusion drawn by Mosalakae (2007: 29) is that the top companies do not measure their financial performance by employing the available arsenal. The author further presents supporting evidence “that the most frequently applied ‘highlights’ measured by the top companies cover only one area of the many financial fields of a company, that is, share performance”.

Companies that invest in employee training see a difference in their financial performance, according to Bassi and McMurrer (1998). The authors report on a survey conducted by the American Society for Training and Development which contributes to the growing evidence that “companies spending more on employee training reap financial benefits, compared with those with low training expenditures”. With results from 40 publicly traded firms surveyed, Bassi and McMurrer (1998) further find “the companies that spent more on training also posted a higher market-to-book ratio than those that treated training as a mere budget expenditure”.

Few people start a job with all the necessary knowledge and experience to perform the job assigned to them. Training can thus be described as being designed to provide learners with the knowledge and skills needed for their present job (Fitzgerald 1992). Investment in human capital, as well as the related matters of mobility of workers, wages, and productivity, are systematically

explained by Becker (1962). This type of investment does not only create competitive advantages for companies (Salas and Cannon-Bowers 2001), it also provides opportunities and innovations in learning new technologies and improving firm performance, knowledge and employee skills.

Whereas previously, there was an increasing awareness that organisational performance could be improved through investment in training, it has since been validated by increased productivity and sales, enhanced market-share and quality, along with reduced turnover, absenteeism and conflict (Salas and Cannon-Bowers 2000). Training has, however, been termed a fad, or considered too expensive by other research studies, with scepticism expressed regarding theoretical underpinning and the practice of linking training with firm performance (Alliger *et al.* 1997; Wright and Geroy 2001).

3.3 FINANCIAL REWARD THROUGH TRAINING

As pointed out by Bernstein and Beeferman (2015), there is 'an added bonus' to multiple studies finding evidence of financial rewards being reaped by companies that invest in training. Thang, Quang and Buyens (2010) exposed this benefit, in that companies can now measure and compare expenditures and outcomes in training with a variety of methods; benchmarking, for example.

Inconsistent workplace training remains, regardless of the growing importance of human capital investment in the successful survival of companies, with a lack of standards with which to "manage such measurement". Bernstein and Beeferman (2015) explain that there are, by comparison, extensive and detailed accounting measures concerning research and development and physical capital investments. In addition, there are also "accepted accounting principles for measuring intangibles, such as corporate goodwill".

It is not often that human capital investments are seen on corporate balance sheets, except where it is not an investment but an expenditure. As a result, the little information available on the feats of such investments is not unanticipated,

even within companies. Corporate decision-makers are hindered by this lack of information from making well-informed choices regarding what training types to provide or the amount of funds to allocate to training.

These choices are also affected by external forces; the stock market is one such powerful force. In effect, it shapes decisions by management concerning publicly traded companies through the reward or punishment of certain behaviours. Bernstein and Beeferman (2015) explain that, because available information drives stock prices, it must be understood that “stockholders don't reward (they don't buy stock) investments such as training that can't be reported and measured accurately across companies”.

Stockholders instead emphasise available short-term indicators, for example, quarterly earnings. In turn, companies respond by more heavily concentrating on improving their standing on those measures. Consequently, the authors find that expenditures that are not seen to make a contribution to the company's bottom line, such as training, are at risk of being cut. In summary, Bernstein and Beeferman (2015) add that, “companies that make investments in education and training must do so despite pressure from the investment community rather than because of it. Being under increased pressure to demonstrate return on investment is near impossible to do, without standard methods of measurement”.

Research studies, nevertheless, substantiate that when investing more in training, companies are more successful and profitable.

3.4 FINANCIAL PERFORMANCE

Financial performance management, while a sub-discipline of investment management, is part of the total performance management of an organisation, as stated by Mosalakae (2007: 2). Weldeghiorgis (2004: 3 in Mosalakae 2007: 2) finds a realisation among business leaders that the sum of performance measures (both financial and non-financial indicators) needs to be considered in performance measurement. Mosalakae (2007: 2) cites Zairi's (1996: 31)

statement that “performance measures are the life blood of organisations, since without them no decisions can be made”.

Prior research, on the other hand, finds that the existing association between training and financial performance is mixed (Tharenou *et al.* 2007).

To be able to assess progress, performance has to be managed. Le Roux (2004: 1) defines Corporate Performance Management (CPM) as an approach that embraces processes that facilitate the assessment of the progress of an organisation. The author cites processes, such as strategy formulation, and budgeting and forecasting, emphasising that “the objective of going into business is to make a profit”. The results for any given period are summarised by means of financial results, with activities embarked on during such periods comprised of many facets of the business. Most important, the management of personnel is included, as are costs, the management of sales and customer care.

3.5 THEORETICAL FRAMEWORK

3.5.1 GENERAL AND SPECIFIC TRAINING

A 2010 study’s findings (Thang *et al.*) confirm, through a literature review, wide recognition of “the importance of general and specific training”. The results include observation by Chapman (1993) that “a major development in the theory of training is the distinction between training relevant to a wide variety of tasks and training which is more specific to the job and firm – general training and specific training”.

General Training

Thang *et al.* (2010) state that “general training increases future productivity of a worker, with benefits to both the providing company, as well as elsewhere in the labour market”. The authors highlight Becker’s (1962) argument in favour of workers paying for general training cost instead of firms; “the employers would not be able to capture any future return on their investment”. With general training being valuable to a wide range of employers it can thus be positioned in “a formal

education group”, and can be outsourced rather than conducted in-house. The argument views payment as apportionate, with the company only liable for the component of training that is firm-specific; this refers to those components that do not aid the worker in obtaining higher wages in a different company.

Specific Training

By comparison, worker productivity is raised through specific training “only in the firm providing it either because they have special methods or because they use equipment with which workers must become familiar” (Thang *et al.* 2010). The returns on specific training might be lost when the relationship between employer and worker dissolves. Thus, specific training is clearly associated with turnover. When employers expect workers to be with the firm for a long time, they will offer training for workers since there is a longer period in which the firm can receive returns from their investment.

Government regulation is the most important reason, according to Thang *et al.* (2010), why general training costs are shared by firms. Becker’s human capital theory is questioned by Bishop (1991) showing that “workers can pay for general training by receiving reduced wages during the training period”.

Firm training is shown by Thang *et al.* (2010) to depend on job, firm and worker characteristics. The authors present Black and Lynch’s (1996) summary of the differences between workers who are given formal training and those who are not.

Where jobs have certain characteristics, it is more likely for workers to receive training. These characteristics include high value-added jobs where the individual has great responsibility, cognitively complex jobs such as professional, technical and managerial jobs, and sales jobs for complicated, changing and customised products. Other characteristics incorporate the use of expensive machinery on the job, regular, non-temporary jobs, full time jobs; and jobs where the skills learned are not useful at many other firms in the community.

The characteristics of the jobs held by workers, who they work for, along with worker characteristics, dictate the probability and volume of formal training in any given year for workers. Therefore, firms usually analyse the training needs to determine where training is needed and who needs to be trained.

3.6 THEORETICAL MODELS LINKING TRAINING TO FIRM PERFORMANCE

Due to the unceasing changes in systems, products and technology workers' skills and knowledge acquired through training have become important. Research shows that the majority of organisations invest in training, trusting it will lead to higher performance (Alliger *et al.* 1997; Kozlowski and Klein 2000).

1984 – Individual performance

Nonetheless, considerable debate surrounds the theoretical framework for the relationship between firm performance and training. A model stressing “the interrelatedness and coherence of human resource management (HRM) policies and performance” is proposed by Devanna, Formbrun and Tichy (1984, in Thang *et al.* 2010). This model states that the aim of training and other HRM activities, is to escalate individual performance, leading to higher firm performance.

1987 – Quality of product and service

A few years later, a theoretical framework was developed by Guest (1987 in Thang *et al.* 2010), “to show how HRM policies can affect HR and organisational outcomes”. This model's strength is as an analytical framework, effective in examining the connection between HRM policies and organisational performance; “it expresses pathways for more careful, clear and ease of empirical testing”. Thang *et al.* (2010) explain that Guest (1987) perceived commitment as a crucial outcome, regarding those goals that link employees with firm performance, stating that “the goal of quality is important to safeguard products and services' high quality”.

Thang *et al.* (2010), moreover, hold that “training and development policy plays an important role in HRM and contribute to improved strategic integration, employee commitment, flexibility and quality”. The authors further state that “high job performance, high problem solving activity, high cost effectiveness, and low turnover, reduced absences and fewer grievances” can result from HRM outcomes.

In reviewing theoretical frameworks, Thang *et al.* (2010) present six theoretical models from the fields of organisational theory, finance and economics, as proposed by Wright and McMahan (1992), which highlight the consistency and interrelatedness of HR practices, as well as firm level outcomes and strategy. Three of the models are expanded on, as they take the relationship between training and firm performance into account. The models are: the resource based view of the firm; cybernetic systems; and behavioural perspective.

3.6.1 Resource-Based Model

Resources of firms incorporate physical, human and organisational capital that allow the firm, according to Barney (1991 in Thang *et al.* 2010), to develop and expand its effectiveness and efficiency. Lasting resources establish a company’s strength, with four attributes necessary for competitive advantages that can be sustained. Barney (1991) names these attributes as: “valuable, rare, imperfectly imitable, and cannot be replaced with another resource by competing companies”.

Therefore, human capital is a primary source of sustained competitive advantage to a firm because, apart from the four listed criteria, it cannot be duplicated or bought in the market by competitors. Applying the resource-based view to training suggests that training can provide knowledge and skills for employees and this, in turn, may lead to high firm performance.

3.6.2 Behavioural Perspective Model

As a mediator between strategy and firm performance, employee behaviour plays an important role (Schuler and Jackson 1987; Schuler 1989). The model focuses only on employee role behaviours and not on employees' skills, abilities, or knowledge due to employee commitments, attitudes, and behaviours that could affect firm performance. A company's competitive advantage can be enhanced by employee role behaviour, and, as such, the option of promoting role behaviour more effectively and efficiently should be part of HRM practices, specifically HR training policy.

3.6.3 Cybernetic Model

A cybernetic model of HR systems is based on the general systems models, with input, throughput and output. Input would be from the environment (for example, HR knowledge, skills and abilities inputs), whereas throughput stems from HR behaviours, with output systems being those such as job satisfaction, turnover, sales, and productivity.

Wright and Snell (1991) highlight two major responsibilities when the model is applied to strategic HRM: competence management, which is concerned with individual skills needed to employ a specified organisational strategy; and behaviour management, which seeks co-ordination and agreement of individual attitude and behaviour through activities for organisational goals and strategy. Training will thus improve abilities, skills, knowledge, and employee behaviour, resulting in positive organisational outcomes.

3.6.4 Multi-Level Analytical Framework

Using a multi-level approach to training in an analytical framework has been proposed by Kozlowski *et al.* (2000). The gap between theoretical models that address training needs, design, and evaluation, as well as assessment, is bridged with the multi-level model, as are "higher levels at which training must have an impact if it is to contribute to organisational effectiveness" (Kozlowski and Klein

2000). The model, while focused on training transfer, is embedded in two separate types of transfer: horizontal and vertical transfer.

Traditional models of training effectiveness are the focus of horizontal transfer, with 'top down contextual effects' proposed by Kozlowski *et al.* (2000). The authors describe these effects as "a group and organisational factors that can have direct and moderating effects on learning and transfer". Kim and Ployhart (2013) state that these effects have been the source of recent theory and research addressing the influence of organisational factors on motivation to learn, transfer and train effectively at the individual level of analysis.

Vertical transfer examines the link between individual training outcomes and organisational outcomes. There are two distinctive forms of vertical transfer processes – composition and compilation. Composition concentrates on individual contribution at the same content, while compilation focuses on individual contribution at different or diverse content.

3.7 SUMMARY

In summary, obvious similarities have been found between the HRM normative models, regardless of whether it is the British model (Guest 1987) or the perspective of the USA (Devanna *et al.* 1984). Training has been included by these authors, as a set of HRM policies, with training considered as a vitally important policy through which skills, knowledge, motivation, and attitude of staff can be improved. Moreover, as a complex set of policies, the HR system, according to Thang *et al.* (2010), is designed to "manage labour in the organisation and integrate into organisational strategy in order to create high performance for an organisation".

The study's review of literature linking firm performance and training acknowledges and supports the findings that no company can accomplish organisational strategy or goals unless the labour engaged has the appropriate and relevant abilities, skills, knowledge, attitudes, and behaviour.

Training therefore directly contributes to the improvement of the quality of staff and HR outcomes' impact on firm performance. Finally, in studying training and firm performance, it is found to be imperative that organisational researchers consider the effect of the diverse aspects of employee training programmes, TMs and design types, as well as the kind of employees trained, in addition to the amount of time spent in training on firm performance by employees.

3.8 A CONCEPTUAL FRAMEWORK FOR ANALYSING TRAINING AND FIRM PERFORMANCE ISSUES

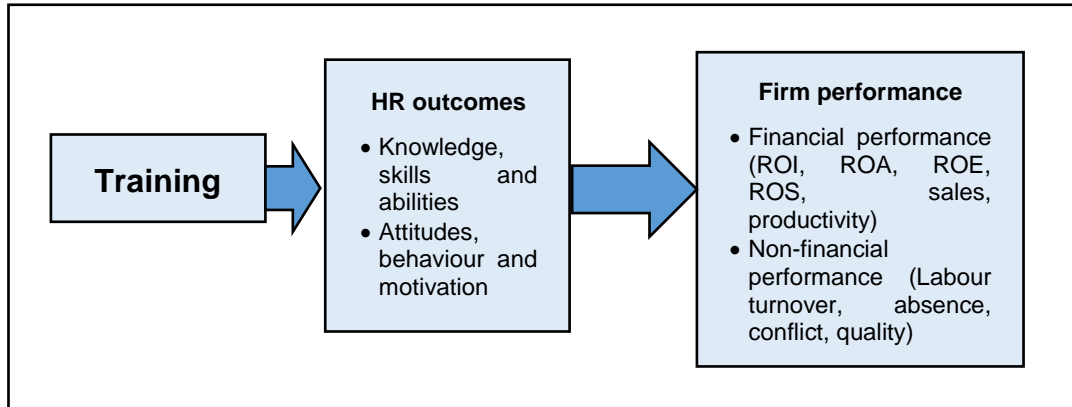
It is suggested by Kozlowski *et al.* (2000) to enhance the knowledge, skills and attitudes or abilities of the workforce, as an approach to organisational improvement and development. The authors propose that "This paradigm may be accomplished through training activities". Training is seen as effective from this perspective, to where it contributes directly to the outcomes, objectives, or strategy at the core of organisational effectiveness. Unfortunately, current models do not adequately address theoretical frameworks, allowing a theoretical model to be proposed that it may aid in grasping the relationship between firm performance and training.

To contribute to the theoretical literature, a theoretical framework was developed and proposed (Thang *et al.* 2010) to fulfil the requirement for analysing issues related to firm performance and training (Figure 6 and Figure 7).

Fundamental premises of firm performance, HR outcomes and training processes form the basis of Figure 6. Training is founded in its role in higher level group and organisational performance, results and objectives. The second and third boxes in the figure enumerate several HR outcomes and firm performance, important when the relationship is analysed, with some of the critical variables highlighted. Training is shown to affect employees' overall abilities, skills, knowledge, motivation, behaviours and attitudes (Figure 6). Therefore, HR outcomes have a direct impact on firm performance.

This framework is shown as more complex in Figure 7 than in Figure 6, with exchanges between organisational strategies and training, as well as how those strategies relate to firm performance and training relationships.

Figure 6: A framework for analysing training and firm performance issues



Source: Thang, Quang and Buyens (2010)

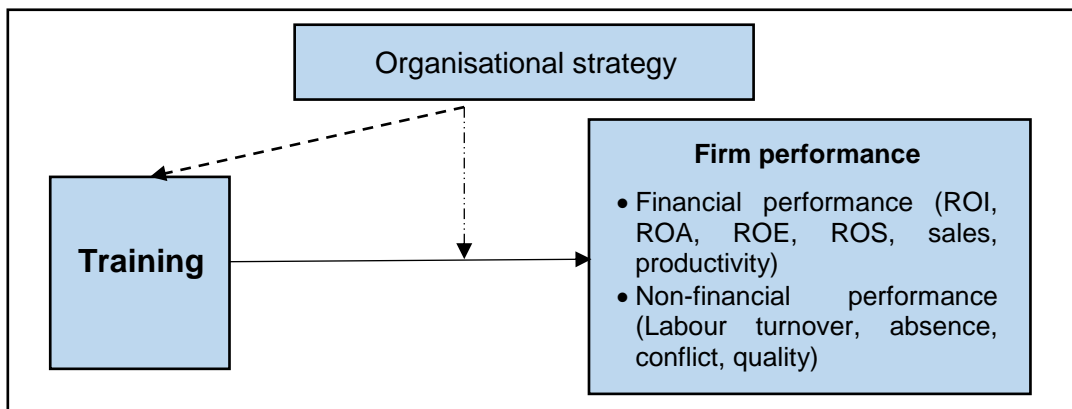


Figure 7: Training, organisational strategy, and firm performance

Source: Thang, Quang and Buyens (2010)

In the aim of enhancing HR outcomes in the long-term, favourable consequences for firm performance, both financial and non-financial, will result. Determining whether training enhances the financial or non-financial performance of the organisation necessitates a process of considering firm performance assessment and HR outcomes together, in actual physical situations so that they may agree on what this means.

The performance used in the model proposed by Thang *et al.* (2010) makes a distinction between financial and non-financial performance. In this context, financial performance is correlated to indicators, including return on investment (ROI), return on sales (ROS), return on equity (ROE), and return on assets (ROA), as well as sales, Tobin's q, productivity and market share. Included in non-financial performance are absence of employees, labour turnover, conflict, and quality of service and product, as well as innovation.

3.9. CONCLUSION

In this, the second part of the examination of literature where training and its impact on a company's financial performance is concerned, the study focus was expanded on to include what financial performance is, the manner in which financial performance is measured, and the financial rewards of training.

Various models that link training to financial company performance were appraised, with a conceptual framework described, to analyse training and financial performance. Training and development of the workforce are shown to be 'the most effective approach to organisational improvement and development'.

The next chapter discusses the results of the review of literature as methodology to determine the study outcomes.

CHAPTER 4 METHODOLOGY AND RESULTS

4.1 INTRODUCTION

In the previous chapter, the focus of the review was mainly on research published that has investigated or established the relationship between training and firm financial performance, with major journals and books and other publications scanned for articles with related data and information.

This chapter expands on the research design and methodology decided on, in determining the effect of training on a firm's financial performance. As Grover (2015) explains, the research design outlines how the researcher intends to answer the research question, with design's main function the planning of an appropriate research process that enables the researcher to maximise the validity of the eventual results.

There are three approaches to research: (a) qualitative, (b) quantitative, and (c) mixed methods, as there are three possible forms of study, as set out by Gray (2013): exploratory, descriptive and explanatory. On the one hand Punch (2005) holds that descriptive studies may be adequate, where a research area is relatively new or unexplored, while on the other hand, Saunders *et al.* (2000) point out that exploratory studies are used when the researcher either undertakes a search of the literature, talks to experts in the field or conducts focus groups.

Of the three types of research design discussed, this study is exploratory, thus qualitative, making the nature of this research study archival and as a review, it takes the form of a 'desktop study', with information pertaining to training and its effect on financial performance of SA companies obtained through, mostly, secondary sources.

4.2 METHODOLOGY

More often than not, the difference between qualitative research and quantitative research is best understood as the use of words (qualitative) rather than numbers (quantitative), or employing closed-ended questions (quantitative hypotheses) instead of open-ended questions (qualitative interview questions).

The grades of differences between them is argued to be in

...the basic philosophical assumptions researchers bring to the study, the types of research strategies used in the research (e.g., quantitative experiments or qualitative case studies), and the specific methods employed in conducting these strategies (e.g., collecting data quantitatively on instruments versus collecting qualitative data through observing a setting).

Creswell (2009)

In addition, Creswell explains that both approaches have historically evolved, with the dominant form of research being quantitative approaches in the social sciences; late 19th century to mid-20th century. Interest in qualitative research increased in the latter half of the 20th century, as well as in mixed methods research.

4.2.1 Research Approach

There are three basic components of a research approach, namely a philosophical world view, research design and methods of research (Fig. 2). When a specific research approach is selected it requires the matching of research design with methods (Fig. 8). A philosophical world view originates from epistemology considerations, which according to Grover (2015: 1) “determines a paradigm as per the philosophical orientation of a research approach”. It is the overall strategy chosen to find a solution to the research problem, known as its design and explained by Grover (2015) to require “coherent integration of varying study components in a logical way, ensuring the problem is solved in an efficient way”.

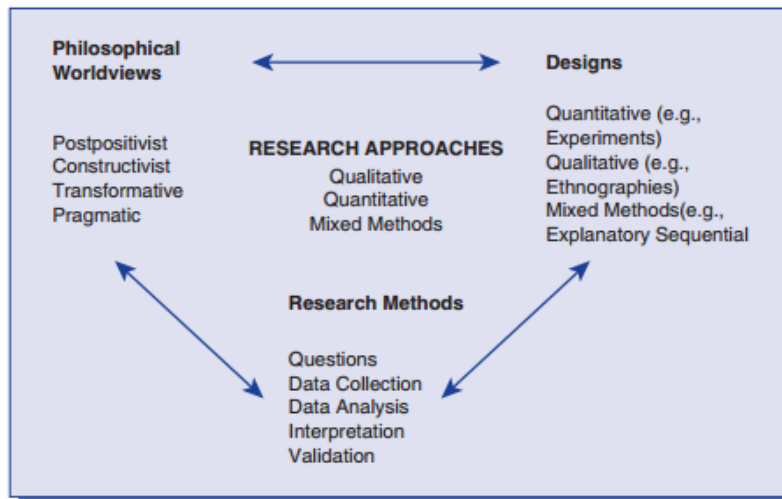


Figure 8: Framework for research design and research methods
Source: Grover (2015)

The term worldview is concurred with by Grover (2015) as meaning “a basic set of beliefs that guide action” as stated by Guba (1990: 17 in Grover 2015). Grover expands on this, finding the set of beliefs to also be referred to as *paradigms*; *epistemologies* and *ontologies* or *broadly conceived research methodologies*.

This study is theoretical, providing insight into similar research conducted into this field, consisting of a summary of the view of other authors in available literature and reports regarding training, including training to retrench, specifically the TLS.

4.2.2 Research Design

The research design outlines how the researcher intends to answer the research question (Grover 2015), with the main function of research design being to enable the researcher to plan an appropriate research process that should maximise the validity of the eventual results.

Table 4.1: Alternative research designs

Quantitative	Qualitative	Mixed Methods
<ul style="list-style-type: none"> • Experimental designs • Nonexperimental designs, such as surveys 	<ul style="list-style-type: none"> • Narrative research • Phenomenology • Grounded theory • Ethnographies • Case study 	<ul style="list-style-type: none"> • Convergent • Explanatory sequential • Exploratory sequential • Transformative, embedded, or multiphase

Of the three possible forms of study discussed by Gray (2013), namely exploratory, descriptive and explanatory research, this study is exploratory, even though concurring with Punch (2005) that descriptive studies are best suited to a relatively new or unexplored research area. As Saunders *et al.* (2000) suggest, the means of conducting exploratory research can be achieved through ‘conducting focus groups, a search of the literature, or talking to experts in the field’.

Qualitative, exploratory research can be quite informal, relying on secondary research, such as reviewing available literature and/or data, or qualitative approaches, for example informal discussions, and more formal, through in-depth interviews, focus groups, projective methods, and case studies or pilot studies (Vaisali 2011).

The failing with descriptive studies is that even though they describe a person or event to outline a situation, or reveal the relationship between things, they cannot clarify the reason an event has taken place (Blumberg *et al.* 2005).

The nature of this research study is therefore archival and as a review, takes the form of a ‘desktop study’, by obtaining information pertaining to training and its effect on financial performance of SA companies through secondary sources. The research approach was, as stated by Bussin and Modau (2015), “ex-post facto in nature in that the focus was on reporting the characteristics of the variables rather than playing any role in manipulating them” (Saunders *et al.* 2000).

4.2.3 Procedure

The research problem was used as the foundation for the choice of the research methodology. A qualitative, exploratory research methodology was employed in this study, due to the limited academic research on the subject, with the overall research design of the study resulting in data collection through a review of literature.

Sampling

The sampling approach used in the study is non-probability sampling due a sampling approach not necessarily required, with all available and accessible publications and information on the research topic and variables thereof examined either online or in hard copy.

Validity

Theoretical or conceptual validation was employed, due to the nature of the study (exploratory) because empirical validation was not possible. In order for the research to be comparable, from a methodological point of view, an extensive literature review will be conducted.

Reliability

In exploratory research it is not possible to achieve reliability through the production of consistent results. The reliability was achieved through precision and objectivity when data was gathered; with analyses and interpretation of data and presentation of findings.

Ethical consideration

The data gathered was considered not fabricated or falsified to achieve a particular outcome, contributing to the study's ethical consideration.

4.2.4 Relevant Literature

Global research on the topic of training and its effect on a company's financial performance include Bernstein and Beeferman's (2015) Human Capital research,

which found 67 empirical studies that examined the relationship between HR policies and financial outcomes, such as return on investment, return on equity, and profit margins. Of the studies identified by the authors, 32 deal directly with Training, while the other 45 focus on HR Policy.

This study therefore focuses on available literature regarding the effect of training on SA companies' financial performance, specifically since 2009, when the concept of training to retrench was introduced with the government's TLS as example.

With varied measurements found in the review of literature of training and firm performance, there were some studies that used only one item to measure either training or performance, while others utilised various measures of training and firm performance. Several challenges were thus found in the review of these studies' results, due to inconsistencies in measurements and calculations.

While it would have been advantageous to develop an integrated view on empirical evidence for the effects of training on financial performance of SA companies, this study shows the lack of published material regarding the topic. With the TLS only introduced in 2009, and its effect on financial performance not yet established, the literature review managed to highlight the shifts brought about in training, retrenchment/layoff and its potential financial performance impact, by the country's reaction to the 2008/9 economic downturn.

The impact of training on firm performance has previously been measured by using firm level data collected through mail, phone surveys or archival data, collecting primary data from HR departments or personnel files. Some of these studies held face-to-face interviews with managers to establish what type(s) of training was conducted and the manner in which training results were evaluated, analysed or measured.

Where financial performance is concerned, this review attempted to extract clear empirical evidence and discussions on the unique effects of training on financial performance from the literature. In other studies, firm performance is presented in two categories: 1) financial firm performance (ROI, sales, productivity, profit, market share), and 2) non-financial firm performance (turnover, absenteeism, job satisfaction, motivation), with some studies that measure both at the same time.

The understanding of training and financial performance is, in addition, clarified from the current literature, while proposed directions for future research on this topic were also sought.

4.3 RESULTS

4.3.1 Results from the Literature Review of Training and its Effect

Investment is stated by Mosalakae (2007) as the “purchase by an individual or institutional investor of a financial or real asset that produces a return proportional to the risk assumed over some future investment period” (Amling 1984: 3). In this research, the subject of investment is training, with various research studies from the literature having estimated the impact of training on firm performance, with most studies frequently estimating the effects of training on financial performance.

The basis for financial performance measurement is accounting data. However, the only measures of performance are not monetary values, with components of business management having their own performance measures (Le Roux 2004: 1).

4.3.2 Performance Measurement Methods

With respect to performance measurement methods, there are some researchers (Bishop 1991; Bassi and Van Buren 1998; Fey, Björkman and Pavlovskaya 2000) who, in estimating training’s effect on firm performance, have used a subjective measure of performance. A subjective measure has the disadvantage that

research results depend on many assumptions and cannot be compared across departments/ companies over time.

As Bartel (2000: 401) points out, “the reliability of these estimates depends on the accuracy of the assumption regarding the cost of training, as well as the accuracy of the subjective estimates of firm performance”.

There are those researchers who used a “firm level data set in a regression standard Cobb-Douglas production function to estimate the impact of training on firm performance” (Zwick 2006; Faerns *et al.* 2005), so as to negate the limitations of subjective measures of performance. Firm performance in these cases was measured by net sales or value added on the one hand, with the effect of individual HR domains on financial performance on the other hand, making use of survey data that measured productivity by value added.

Throughout the studies reviewed, differing types of training were employed for estimation, achieving varying results. The productivity effects of specific, general and all types of training combined were, for instance, estimated and general training was found to be “more related to sales growth when the firms had greater investment in capital, rather than less” (Barrett and O’Connell 2001: 647).

An estimation of the effects of training in job skills and cross training on operational firm performance was found to show training “as only related to operational performance through its effect on organisational commitment within the plants” (Ahmad and Schroeder 2003: 19). The effects of training on firm performance in both government and non-governmental concerns are also assessed (Ng and Siu 2004), while the training impact on the firm performance of small and medium companies, and data from companies in a specific industry, were used by other researchers (Faems, Sels, DeWinne, and Maes 2005).

ROI is well-researched (Carnevale and Schulz 1990; Bartel 2000; Phillips 2012) and established as one of the financial indicators of a company appearing in most

of the literature reviewed. This could also indicate that a return to this form of human capital investment should apply to training decisions. Experimental design is deemed suitable for cases such as these, as it could be used to successfully quantify the outcomes of training programmes from companies' files.

In summary, previous studies provide an overview of the relationship between training and firm performance, whereas the effect of training on firm performance is investigated in other studies, by differentiating types of training, companies, firm performance, using firm level data from one or several sectors and different ways to measure performance. The drawback lies in not being able to accurately control for data other than training, including complex production processes, in addition to other factors, such as labour market conditions, new technology or a change in products.

4.3.3 Results from the Review of Financial Performance

Accounting data is considered by Saville (2004: 505) to be "central to the process of investment decision making" by many groups of market participants. The exposure of accounting irregularities and fraud, as Saville (2004: 504) points out, is on the rise. Internationally gathered evidence reveals that both the size and number of companies that are disclosing "accounting irregularities and frauds" through restating their financials has been continuously increasing. As an entry point, it is suggested by Saville (2004: 510) that companies' management must ensure responsible, reliable, and, most of all, accurate reporting.

Careful consideration has to be given to the interpretation of measurements and ratios, such as ROI and ROE. De Wet and du Toit (2007: 59) describe the ROE ratio as possibly the most extensively applied, inclusive means of measuring companies' financial performance. The allure of ROE is that earnings are linked to equity, according to de Wet and du Toit (2007).

It has been found that measures of financial performance are too numerous and varied to detail as part of the study, being listed instead.

These measures of financial performance include: Arithmetic return, which is an average return of different observation periods; Geometric return, which depends only on start date and end date of one overall observation period; Rate of return or return on investment; and Total shareholder return, which is annualised growth in capital, assuming that dividends are reinvested.

Risk measures

On the other hand, measurement of financial performance is incomplete, unless risk measures have also been identified and taken into account, where applicable. These include measures, such as the distortion risk measure; the tail conditional expectation; value at risk; the convex risk measure; the entropic risk measure; the coherent risk measure; discounted maximum loss; expected shortfall; superhedging price; the spectral risk measure; the deviation risk measure; the standard deviation or variance in mid-range, interdecile range and interquartile range (de Wet and du Toit 2007).

4.4 EFFECTS OF TRAINING ON FINANCIAL FIRM PERFORMANCE

Previous studies estimate the effects of training on financial performance, with a number of researchers attempting to establish the impact of training on productivity, whereas other researchers have studied the effect of training on sales. For example, Ballot, Fakhfakh and Taymaz (2001, 2006) find training can have positive effects on productivity (value added per worker), while Bassi and Van Buren (1998) demonstrate that an increase in sales, quality and customer satisfaction results from training.

The influence of training on financial performance indicators, such as ROI, ROA, ROE or market shares has also been studied, with Bartel (1995: 415) finding that “training had a positive and significant effect on ROI”, whereas Bernthal and Wellins (2006) estimate impact of training on both ROA and ROE indicators. The effects of training on not only financial, but also on non-financial performance, are estimated concurrently by most previous studies.

To summarise, the review results indicated that there was a significant difference between types of training, types of financial performance indicators and impacts of training on financial performance indicators. In the studies related to financial performance indicators, there is a focus on measuring firm performance by financial indicators and most demonstrate that training has a positive and significant influence on financial indicators.

4.5 CONCLUSION

In determining the effect of training on the financial performance of a firm, a research approach, design and method had to be determined best suited to what was being determined. Various approaches to gauge the impact of training on firm performance were identified, ranging from studies that use “firm level data from a large sample of firms”, to the case study approach. Based on previous studies’ use of firm performance measures, two classes, namely financial and non-financial firm performance, were found.

The next chapter offers a discussion, along with the findings from the literature reviewed. This review not only offers the potential to guide practitioners of future research and managers in their decisions concerning human capital investment plans, but also provides new directions in the provision of training for employees.

CHAPTER 5

FINDINGS FROM LITERATURE REVIEW

5.1 INTRODUCTION TO WHAT WAS RESEARCHED

While the previous chapters reviewed literature on both training and financial performance, this chapter starts with a discussion, after which it focuses on the findings from the two-fold literature review.

5.2 DISCUSSION

As expected, training has a variety of positive effects on financial and non-financial firm performance. These effects might be much broader than the results suggested by many previous studies, meaning that these positive effects are considerably important with regard to both managerial and theory implications.

5.2.1 Mediating role of HR outcomes

This review has identified a new opportunity for future research in the theoretical explanation of why training might help to increase a company's financial performance. As presented in the theoretical framework for analysing training and firm performance issues (Figure 6), training has directly improved HR outcomes (for example, knowledge, skills, abilities, attitudes, behaviours and motivation of employees).

Through a direct linkage of training with firm performance, however, almost all studies have ignored the potential mediating role of these HR outcomes on the relationship. Thus, an important question is whether training unequivocally affects HR outcomes, which in turn impacts on firm performance levels. Highlighting this feature provides a point of departure for future research, namely, to test the mediating effects of HR outcomes, which could be useful in unravelling the relationship between training and firm performance.

In addition, although training activities are acknowledged to play an important role in linking employees with firm performance, the specific form (universal

perspective or contingency perspective) of the relationship between training and firm performance is still debatable.

5.2.2 Sector specific impact analysis

Second, although the presented review shows that training can have positive and significant effects on firm performance in specific sectors (the steel and software industries), there are only two studies which follow this approach (for example, Ichniowski, Shaw, Prenzushi 1997; Paul and Anantharaman 2003). Corresponding research in other sectors (such as food and tobacco, textiles and clothing, chemicals and petroleum, banking and finance) will probably have different effects or views on the relationship between training and firm performance.

Therefore, future research might estimate the impact of training on firm performance in other specific sectors in order to provide another potentially interesting result on the relationship and contribute to the current literature within the field.

5.2.3 Features of job characteristics and specific countries

Third, the previous studies (presented in this paper) have estimated the effects of training on firm performance in many specific jobs and countries. However, most of these studies have been implemented in developed countries (e.g. Bishop 1991; Barrett and O'Connell 2001; Aragón-Sánchez *et al.* 2003, Faems *et al.* 2005), whereas the relationship between training and organisational performance is not adequately addressed and studied in developing countries. In addition, the impact of training for different types of employees (e.g. worker, supervisor, office staff and manager) and their performance might vary according to job characteristics and locations. Therefore, there is an opportunity for future research to examine the influence of training on firm performance relative to the features of job characteristics, as well as by specific country.

5.2.4 Varying methodologies

Fourth, a number of researchers (Bishop 1991; Fey and Björkman 2001) have used a subjective method for their studies, whereas other studies (Bassi and Van Buren 1998; Aragón-Sánchez *et al.* 2003; Rodríguez and Ventura 2003) have a low response rate in terms of questionnaires, or lack reliable data for estimation. The results of estimates depend on the accuracy of the assumptions, while low response rates and a lack of data may lead to incorrect results. Thus, the methodological limitations of these studies present opportunities for future research. Clearly, future research will present challenges for carefully designed questionnaires, well-chosen sample sizes, suitable data collection techniques and measurement of variables, and a well-chosen estimation framework.

5.2.5 Performance improvement

Finally, this research may be important for practitioners dealing with training and firm performance in the workplace. Training is a valuable path to follow when an organisation would like to improve its performance, and in the light of the presented review, together with the framework for analysing training and firm performance issues, managers could find some interesting clues to the advantages of training. For instance, a company could measure types of training for their employees (workers, supervisors, managers) in order to gain a better understanding of how different types of training influence financial and non-financial performance indicators. Managers could then decide when and how to provide training programmes for their employees in order to obtain their best performance.

5.3 BACKGROUND

During what is referred to as the Great Recession (2008/9 Economic Downturn) by Hansen (2012), in an ILO report, “overall spending on labour market programmes constituted an important, but not major part of the crisis response stimulus packages”. According to the ILO’s survey of 65 advanced, emerging and developing economies, 11.7 percent of the crisis response stimulus measures in advanced economies and 12 5.1 percent of the measures in emerging or

developing economies were devoted to Active Labour Market Programmes (ALMPs). To increase aggregate demand, a much larger share of the ‘crisis response measures’ (Table 1) was devoted to infrastructure spending, tax cuts and other measures (Hansen 2012).

Table 5.1: Composition of stimulus spending

	Advanced economies	Developing and emerging economies
Stimulus as a percentage of GDP	3.9	7.3
Labour market measures	11.7	5.1
Transfers to low-income individuals and households	10.6	6.1
Infrastructure spending	20.8	37.2
Tax cuts	26.8	15.4
Additional measures to boost aggregate demand	30.0	36.1

Source: Hansen (2012)

Note: International Institute for Labour Studies based on national sources (includes 24 advanced economies and 29 developing and emerging economies and 12 Asian economies and are weighted averages by GDP).

Among labour market programmes, there is a significant divergence in the type of activities undertaken as part of the crisis response stimulus packages. In high income countries, training (including apprenticeship and work experience) was the most common activity. Included in training activities were those already unemployed and those threatened with layoffs.

The next most frequent strategies employed were work-sharing, increased job-search assistance and job or wage subsidies, while the least utilised was that of public works programmes. This pattern differed for low- and middle-income countries where the most common activity was also training, but was followed by increased job-search assistance, entrepreneurship incentives and public works programmes. However, these programmes were far less prevalent in lower-income countries than in high-income countries (ILO 2010). Figure 9 illustrates the distribution of these responses.

The report does not include reference to either the degree of employability in area or quality of training and these extraneous variables to the study need to be acknowledged to achieve a more holistic picture on which to base informed decisions regarding the impact of training.

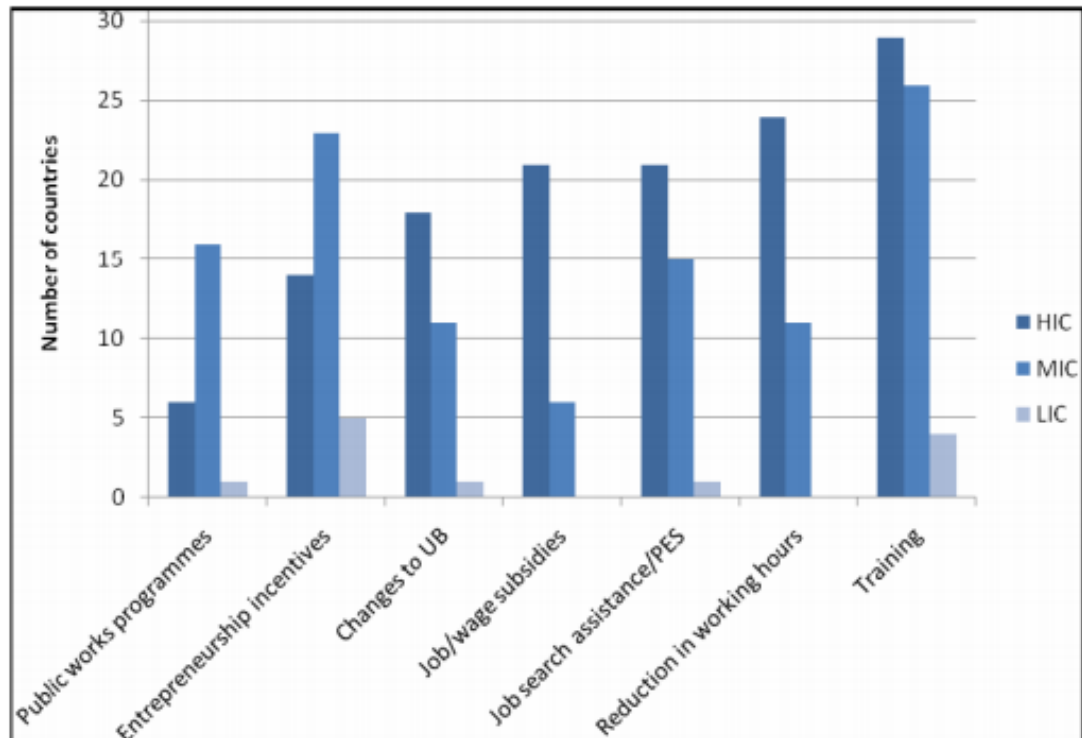


Figure 9: National labour market policy responses to the global financial crisis of 2008-09

Source: Cazes, Verick and Heuer (2009).

Notes: World Bank classification of countries (HIC= high-income countries, MIC = middle-income countries, LIC = low-income countries); UB = unemployment benefits schemes; PES = public employment services.

Published research has, unfortunately since the economic downturn, not had enough time to study the measures introduced in training and development of employees, making the measurement of its effect on financial performance of SA companies near impossible.

Instead, the shift in concepts such as layoff and retrenchment to both now include government incentivised training was investigated, with literature on the government's TLS presented, along with relevant literature on TMs, policies,

procedures and theories regarding both training and financial performance, their measurement and effects.

5.4 RESEARCH AND MAIN FINDINGS

Hansen (2012) shows that, in the 1990s, the primary measure employed to preserve job-related skills and employment was not comprised of training activities. However, these activities empowered countries in developing the institutional capacity “to operate and adapt training programmes to the changing needs of the labour market”. The design of future crisis-related interventions made use of this expertise as a basis, which incorporated training as an essential element.

This point is illustrated by Maleta’s (2009) analysis on the lessons learned from the Argentine crisis of 2002. The consequences of the crisis did not see job training implemented as a priority measure, yet in the following years training was utilised as a means to “re-connect people facing serious barriers to employment” and aid those “in welfare programmes to move into jobs”.

A shift was also experienced by the advanced economies in the manner in which the job readiness of the unemployed could be improved and welfare dependency reduced. The principal method to improve jobseekers’ employability consisted of suitable employment services provision and re-activation measures, in combination with retraining programmes and targeted training. According to the OECD (2003), job training programmes were allocated “the largest percentage (36 percent) of the total expenditure on active labour market policies”.

The review of this period’s displaced worker programmes by Hansen (2012) finds three effective retraining programme elements that are most important:

1. Workers are provided with marketable skills, relevant to the local labour market;

2. The abilities of workers and the needs of potential employers are matched to the training type, such as long-term classroom learning versus short-run practical courses;
3. Workers are able to participate as there is sufficient income support.

However, Hansen (2012) also points out that research had shown that, “in areas with very high unemployment and concentration in declining industries, measures to promote mobility to areas with greater opportunity and measures to bring in new investment and jobs may be more effective than offering training to displaced workers”. The perception of fostering the employability of the labour force marked the transition into the 2000s, with training seen as an indispensable policy tool.

The main structural changes (Table 5.2) that occurred over the period analysed are summarised in the ILO report by Hansen (2012), as are the major focus shifts of programmes for job-training and their delivery.

Table 5.2: Changes in job-training programmes triggered by the economic crises – 1980’s to early 2000’s

	<i>1980s</i>	<i>1990s</i>	<i>2000s</i>
Structural changes accelerated by crisis	<ul style="list-style-type: none"> ▪ Large-scale deindustrialization: (reduced demand for manual workers) ▪ Labour market structural reforms (in OECD and developed economies) 	<ul style="list-style-type: none"> ▪ Trade Liberalization ▪ Changes in demand-side ▪ Recognition of the importance of a skilled labour force for the improvement of competitiveness 	<ul style="list-style-type: none"> ▪ Transition into a knowledge-based economy ▪ Skills upgrading towards higher value-added products and services ▪ Enhancement of job-related skills through training is considered essential to people’s employability.
Objective for job training	<ul style="list-style-type: none"> ▪ Adaptation of the job-skills of the labour force 	<ul style="list-style-type: none"> ▪ Increase competitiveness and labour force productivity 	<ul style="list-style-type: none"> ▪ Preserve the skills of workers and prepare them to better seize opportunities during the recovery ▪ Competency-based training and portability
Responsibility delivery for	<ul style="list-style-type: none"> ▪ Mainly central government 	<ul style="list-style-type: none"> ▪ Work in partnership with the private sector within more decentralized schemes for delivery 	<ul style="list-style-type: none"> ▪ Multi-layered partnerships with more flexibility to respond to specific local needs

Source: Hansen (2012)

5.5 POSITIVE FACTORS

5.5.1 Training and Development

As Noe (2010) asserts, where training and development has traditionally not been perceived as a value-adding activity, it is today necessarily being interwoven in a company's business plan and financial and HR are therefore more easily and readily made available by management.

The main benefits or advantages found in the literature review include the following:

Models today incorporate and are based on and include:

1. Both employees and management participate in the operational implementation of the model jointly, whether individually and/or through trade unions.
2. Training is linked to corporate social investment and consequently the company is compelled to include retrenchment management when reporting on corporate social investment initiatives in financial reports.
3. Flexibility results from training and development being internally driven.
4. The processes and existing structures of the company may be adapted to manage a more holistic training and development process.
5. Enhanced integration of operations and resources will result within the company.

5.5.2 Financial Performance

Although the literature generally recognises that a firm's performance is improved by training, evidence is not always provided through empirical research to support this effect. The review of literature highlights potential explanations.

Barba-Aragón *et al.* (2012) find that performance is not directly affected by training; rather it has an indirect effect through the improvement of other organisational outcomes. The authors suggest that the relationship between performance and training is mediated by organisational learning and training that

is learning-oriented to improve performances as a result of the positive effect this has on organisational learning.

Longitudinal studies have also shown that the effect of training may not be immediately measurable as the uptake and implementation lags, with results only measurable after a year or two. This is another reason why some research does not show a positive effect of training on firm performance.

5.6 NEGATIVE FACTORS

The literature review presented the practical and theoretical aspects of both training and financial performance of a company. The limitations or challenges (negative factors) identified are summarised.

Most training and financial performance models present some negative factors or disadvantages, including the fact that none addresses fundamental industry and governmental co-operation, which relies on parties joining forces voluntarily, having considered potential synergies and mutual benefits.

In addition, 'corporate social investment functions' may not necessarily be present in smaller companies; however, ERM alone could still deal with retrenchments.

In presenting a Conceptual Training Framework (Figure 10), adapted for this study from literature, it is further recommended a holistic training framework is developed that incorporates all aspects related to training, including information concerning available measures of assistance. Upon investigation, however, a negative aspect was uncovered.

This involves fundamentals, such as the clear definition of concepts, for example retrenchment and layoff, which, since 2009, are used almost interchangeably; this negatively affects the very purpose a training framework aims to address. Another matter that hampers implementation is that some support structures,

such as SD and its levy, along with the terms *layoff/retrenchment* as currently applied, exclude employees who, irrespective of the impact of retrenchments on them and their local economies, happen not to meet any criteria predefined by any support scheme/programme.

5.6.1 Identification of the Limitations/Deficiencies of the TLS

The concerns about the TLS have been that “it was only promoted in economically rich provinces...” while “...some of the employers in rural areas were not even aware that the TLS exists”. Hendriks (2016) points out that it was further found that having to travel long distances to the offices of the CCMA discouraged “those who knew” to make use of the services of the CCMA.

Other concerns with the scheme are reflected in the media and online. According to the Department of Economic Development (Sabinet.co.za 2011), “The parliamentary portfolio committee on economic development has expressed concern about the under-utilisation of government’s training layoff scheme”, while The Sowetan (2011) describes the TLS as “...a SA first”, explaining that, “this programme...has now become a permanent feature of CCMA work in the form of a holistic, job saving strategy to both support businesses and save jobs as the global economic situation continues to impact on SA.” More recently, The New Age (December 2015) reported on jobs that had been ‘saved’ by the TLS, with subsequent information gainsaying the save due to the process being too time-consuming and complex, and resulting in the retrenchments being implemented.

The study has highlighted the importance of incorporating the management of training, as well as layoffs/retrenchments, in an integrated manner within a company. In practice, to pro-actively improve the effects of retrenchments through prior training, the integration of business plans with ERM is required, along with corporate social investments by business organisations.

5.6.2 Roles

It has been identified that there are various stakeholders that are required to play a role in the effective management of training for it to positively impact financial performance as it currently stands. Stakeholders such as trade unions, communities, the DoL, Governmental Authorities, impacted employees and many others have been identified.

Based on the Conceptual Training Framework (Figure 10) adapted for this study, developing a holistic training framework would better be able to define and clarify some of the roles of these stakeholders. The existing definitions and clarification do not “indicate and manage role overlaps or inter-dependencies”.

5.6.3 Purpose

As with any other programme, a holistic training framework is required because of a certain need, in this case, to prevent a decline in employment by providing potential alternative training and SD measures; to prevent a decline in employment due to job losses; to make sure relevant skills are taught to those retrenched; to advance unconventional solutions to the job security threat; and to reform and streamline the social and economic effects on individuals, the economy and regions.

5.6.4 Support

It was indicated that support for government measures to incentivise training and learnerships is hampered in large, by the continued downturn in the economy and the time-consuming, cumbersome complexity of the administration of these projects and schemes. While many instances were found where online forums members/visitors display ignorance of government training assistance measures, information is readily available and accessible.

The CCMA was reported in the media (Sowetanlive 2011) as mandated to play a direct and leading role in Government and social partner plans to prevent job losses through the TLS, which has now become “a permanent feature of CCMA

work, in the form of a holistic, job saving strategy to both support businesses and save jobs as the global economic situation continues to impact on SA”.

Other support structures include the SETAs.

5.6.5 Information Management

One of the challenges of government incentivised training is the lack of information management. There is little or no information available in any form that records the use of training and its effect on a company’s financial performance, which points to not enough research done and published on the topic. A report to the DoL identified the lack of awareness as a challenge to government incentives for training.

5.6.6 Statutory Integration/Legal Framework

Generally, the management of employment relations and, more specifically, the management of training, especially where retrenchments are concerned, can be very complex. There are many regulations and statutory provisions that must be considered when managing HR, including employee training, more so when the latter is linked to layoffs/retrenchments. The lack of integration of various pieces of legislation and other regulatory provisions is shown in literature and media reports to be a problem.

The following relevant areas of legislation and regulatory provisions were identified, other than training:

- Law of Insolvency;
- Companies Act;
- Labour Relations Act;
- Corporate Social Investment;
- Code of Good Practice;
- Competition Law.

The Labour Relations Act, 1995 (LRA) provides for the statutory management of retrenchments in Section 189. The trade unions, however, have questioned “the provision of the LRA”, with the perception that “the LRA makes it easy for employers to retrench, since the requirements of section 189 are about process compliance rather than a genuine attempt to avoid retrenchments”. Furthermore, the trade unions’ view is that the LRA does not take the impact of retrenchments on the retrenched employees’ communities into consideration, which points to further studies that are needed to establish this effect.

As such, these legislative provisions promote negotiations about threats to employment, security and other measures, in order to prevent a decline in employment and aim to ameliorate the social and economic impact on individuals, regions and the economy.

These pieces of legislation and regulatory provisions require integration for the effective management of any government intervention or measurements to address training inequalities. The problem identified in this regard is that measures either fail to align with relevant legislation and provisions, or simply do not make reference to the said provisions which are complex and time-consuming. This results in conflict and/or interpretational problems, which affect the very existence of effective, measurable training, in addition to information regarding the TLS and its successful application.

5.6.7 Human Resources

Investigating the roles of various stakeholders involved in the application and management of training has identified the challenge of a lack of skills to perform these roles effectively. The question arises whether appropriate and adequate HR are in place to perform such functions. With various training bodies to regulate incentivised training, inter-departmental communication and co-operation across sectors makes for a slow process that has to be meticulously and systematically followed.

This reminds of Kirkpatrick's four levels of training and the review of literature shows that levels three and four of the Kirkpatrick model, which present the most problems, are only really applicable now, with stakeholders requiring accountability measurement to show the effect of training on the financial performance of companies.

5.6.8 Financial Resources

The application and management of training creates various activities, some of which are accompanied by the formation of structures. The activities and the functioning of these structures must be supported financially. It therefore becomes difficult for a company under financial strain to finance these activities and structures.

This is why a holistic training framework should be developed through future research that incorporates all aspects related to training, with information concerning available assistance measures included. The Conceptual Training Framework (Figure 10) adapted for this study takes cognisance of the fact that training does not only air with development of employees but also their retrenchment/layoff.

With regard to incentivised training by government, the different SETAs provide that the DoL must grant set amounts to different sector SETAs for training and incentivised training; this is as with the TLS, which operates through the CCMA.

5.7 PROPOSED SOLUTIONS

Identified challenges to determining the effect of training on a company's financial performance are separate but interrelated, insofar as they are dependent on each other.

The challenges identified as themes were institutions or structures; corporate social responsibility; employment relations strategy; legal framework; and general, with each theme having several sub-categories.

With the Conceptual Training Framework adapted for this study, an additional solution that integrates all training factors, particularly assistance measures, with which a holistic Training Framework can be developed, is presented. There are several challenges to the establishment of such a holistic Training Framework, such as retrenchment and layoff concepts being clearly defined. The two terms have been used as if they have the same meaning since 2009, with the objectives of the training and development arm of HR thus negatively affected. Certain support structures further hamper implementation, including SD and its levy, in addition to the present application of the terms 'layoff/retrenchment'. As a matter of fact, employees who do not meet any conditions that any support scheme/programme defined before are excluded, regardless of how retrenchments affect their local economies.

5.7.1 Institutions/Structures

“Any model’s institutions and/or structures are the foundation of that model, are the pillars of the model, and the model may not be operationalised without these.” (Kirkpatrick 2014: 3)

Identified institutions or structures relevant to the study consist of the following:

Governments and intergovernmental bodies act as purveyors of international trade, economic development, and crisis management.

Regulatory bodies establish financial regulations and legal procedures, while *Independent bodies* facilitate industry supervision.

Research institutes and other associations analyse data, publish reports and policy briefs, and host public discourse on global financial affairs.

Training and financial performance also have institutions and/or structures whose primary focus is to operationalise and make them effective. Problems highlighted have a negative impact on the effective implementation and management of

training and measuring its effect, as they either do not achieve what they are intended to achieve or are bureaucratic and do not add value.

5.7.2 Conceptual Training Framework

In blending the concepts of training, development and performance, a basic concept was developed by Agyei (2014), in which the influence on a company's performance by training and development accounts for training's nature, the process of training and development, as well as techniques of training and development.

In the current study, however, the Conceptual Training and Development Framework by Agyei (2014) has been adapted incorporating retrenchment/layoff, to reflect reality on the ground in SA, resulting in a Basic Training, Development and Retrenchment Framework (Figure 10). This includes the interchangeable employment of the terms 'retrenchment' and 'layoff' by the South African government and a possible solution to establishing the actual effect of training on a firm's financial performance in SA. The extended Conceptual Training Framework (Figure 10) can be implemented by SA companies to ensure a more balanced process, wherein training takes both development and retrenchment into account.

The training technique employed in Agyei's (2014) framework is that of orientation and coaching, while development techniques comprise job rotation, along with lectures and seminars, and workshop and conferences. Retrenchment/Layoff has to be included here, as it would make use of all of these techniques, but also offer counselling.

Otundo (n.d.: ii) states that, "A conceptual framework is an analytical tool with several variations and contexts. It is used to make conceptual distinctions and organise ideas. Strong conceptual frameworks capture something real and do this in a way that is easy to remember and apply." Nevertheless, the use of the term 'conceptual framework' crosses both scale and contexts, resulting in varying

definitions and application (Maxwell 2009; Ravitch and Riggan 2012). Conceptual frameworks are further described as 'abstract representations', linked to the goal of the research project, which directs on-the-ground collection and analysis of data.

In accordance with the Training Principles, Priorities and Guidelines, set out in a green paper on Public Service Training and Education (DPSA 2014), the envisaged conceptual framework rests on the assumption that strategic plans for training and education within SA companies are produced. The strategic plan should include priorities, targets and objectives; action plans for implementation; identification of financial and other resources necessary to support such plans; and the mechanisms for internal monitoring and evaluation to ensure a positive outcome.

Strategic plans for training and education should then be linked to broader plans for service delivery, HRD and organisational development, as well as to the budget planning process. This will bring the entire process full circle, culminating in training and education activities being adjusted according to a needs assessment that includes budgetary constraints.

An efficient, cost-effective, consultative and well-co-ordinated framework for training and education should be centred around the key processes of strategic policy formulation and co-ordination, operational decision-making, planning and implementation, accreditation and quality assurance, as well as organisation and co-ordination of training provision and providers, and monitoring and evaluation.

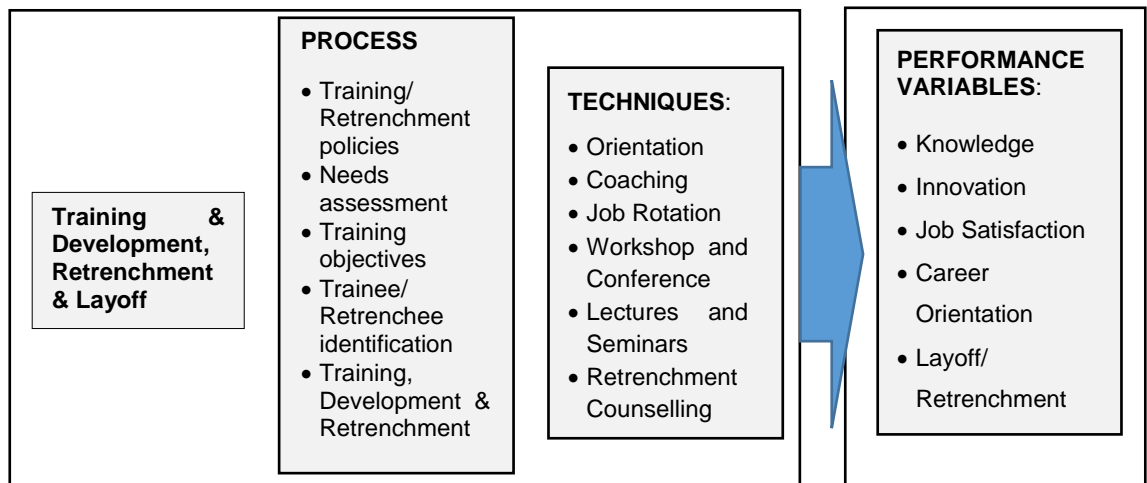


Figure10: Basic Training, Development and Retrenchment Framework

Source: Adapted from Agyei (2014)

In the adapted, basic Training, Development and Retrenchment Framework (Figure 10), performance variables are classified as knowledge, innovation, job satisfaction career orientation and goal orientation, with retrenchment/layoff as a new variable.

The process of training and development traditionally decides which methods and techniques employed are included in policy formulation where training and development policy are concerned. The change needed is to include retrenchment/layoff as an addition to the process, as identifying and selecting these methods and techniques determines training and development needs.

A needs assessment should show the manner in which retrenchment now dovetails with development and education, when forming training and development/ retrenchment objectives. Consequently, these objectives drive action/activity plans, along with the development of training, development, education and retrenchment methods. Through the impact of these methods, training and development then influences performance.

The Conceptual Training Framework developed and adapted for this study highlights the links between training, development, education,

retrenchment/layoff and performance (Figure 11), reflecting a more accurate picture of training today.

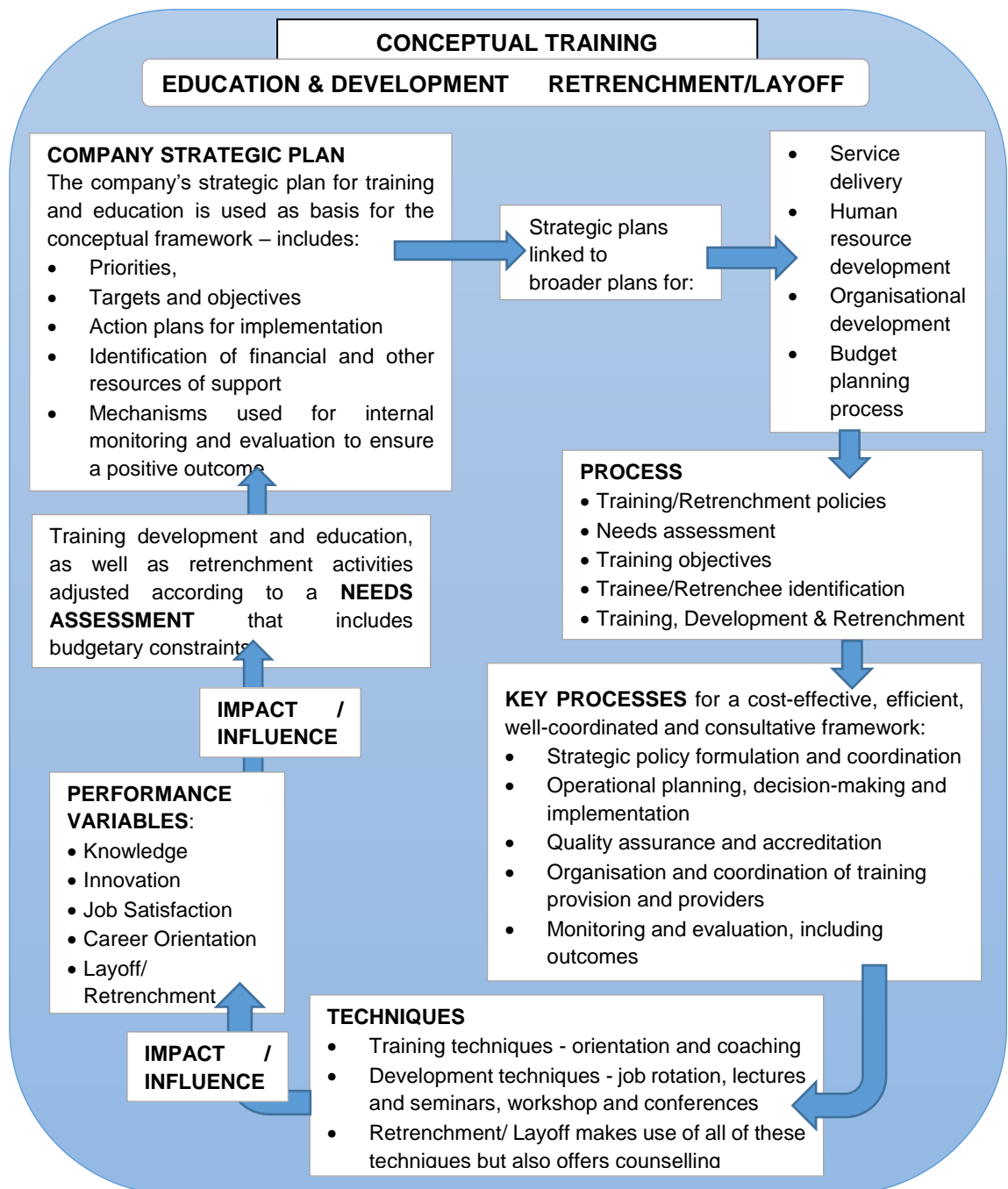


Figure 11: Conceptual Training Framework

Source: Developed for this study, adapted from Agyei (2014) and DPSA (2014)

The existing legal framework is set out next, showing, in part, the need and support for training, as well as the processes required to ensure training uptake by both employer and employee.

5.7.3 Legal Framework

The importance of training and development has also been realised by the government and the passing of the following Acts: SA Qualifications Authority Act, No. 58 of 1995; Skills Development Act, No. 97 of 1998 and subsequent amendments; and Skills Development Levies Act, No. 9 of 1999.

SA Qualifications Authority Act, No. 58 of 1995

The SA Qualifications Authority (SAQA) is a statutory body, regulated in terms of the National Qualifications Framework Act No. 67 of 2008. It is comprised of 29 members that are appointed, in consultation with the Minister of Labour, by the Minister of Education. Mandated by legislation, SAQA administers the development and implementation of the National Qualifications Framework (NQF).

The Act was promulgated in October 1995 and started operations in May 1996, with the authority's main task being the creation of the NQF. The Framework was 'under review' by 2001, after which the National Qualifications Framework Act (No. 67 of 2008) replaced the 1995 SAQA law; both the authority and updated NQF were maintained.

"SAQA's primary objective is the promotion of a high quality education and training system in SA that embraces the concept of lifelong learning for all."
(saqa.org.za)

SAQA functions are in effect twofold. Firstly, it oversees the NQF's development through the formulation of policies and publishing of criteria for registration of those bodies that establish education and training standards or qualifications,

while also accrediting the bodies liable for auditing and monitoring of activities in terms of such qualifications and standards.

Secondly, in administering NQF implementation, SAQA has to check and validate the registration, accreditation and assignment of functions to the bodies referred to, while also registering national qualifications and standards on the framework. This takes place through input to “an electronic management information system which records all relevant information on the achievements of South African learners (the National Learners’ Records Database)”.

In addition, SAQA administers the process to ensure that provisions for accreditations are observed and conformed to, and registered standards and qualifications are comparable internationally, where applicable. A further task is the evaluation of foreign educational qualifications in order to ascertain their South African equivalence. This affords foreign qualified potential students with the aim of attending SA education institutions or entering the SA labour market the means, through SAQA, to have their qualifications evaluated. As the website points out, “SAQA’s contribution ensures that South Africans have access to quality education and skills development to improve their lives”.

The NQF sets the guidelines, boundaries and principles that provide a vision, organisational structure and a philosophical base from which a qualifications system is constructed. Within these boundaries, detailed development and implementation is performed. All SA education and training fits within this framework.

The NQF is explained as, “a set of principles and guidelines by which records of learner achievement are registered to enable national recognition of acquired skills and knowledge, thereby ensuring an integrated system that encourages lifelong learning” (NQF 2016).

Comprised of 10 levels, the NQF is further divided into three bands, with levels one to four identifying grades 9 to 12 (high school) or vocational training, while levels five to seven represent technical qualifications and college diplomas, and levels seven to ten denote university degrees.

Skills Development Act, No. 97 of 1998 and subsequent amendments

This Act was promulgated by government in 1998, when according to Barry and Norton (2000: 6-11), SA was “in the midst of high levels of unemployment, low levels of investment in the SA labour market, pronounced disparities in income distribution, and inequality of opportunity as a result of poverty and apartheid”.

The government aimed to address two main priorities through this Act:

1. The necessity to improve skills and increase productivity so as to successfully compete in the global economy.
2. The need to turn apartheid imbalances around, creating a more cohesive and inclusive society.

In line with the overall government objectives set out above, the purposes of the Act are as follows (Sec. 2(1)):

- To develop the skills of the SA workforce; to improve the quality of life of workers, their prospects of work and labour mobility; to improve productivity in the workplace and the competitiveness of employers; to promote self-employment; and to improve the delivery of social services;
- To increase the levels of investment in education and training in the labour market and to increase the return on that investment;
- To encourage employers to use the workplace as an active learning environment; to provide employees with the opportunities to acquire new skills; to provide opportunities for new entrants to the labour market to gain work experience; to employ persons who find it difficult to be employed;
- To encourage workers to participate in learning programmes;

- To improve the employment prospects of persons previously disadvantaged by unfair discrimination and to redress those disadvantages through training and education;
- To ensure the quality of learning in and for the workplace;
- To assist work-seekers to find work; retrenched workers to re-enter the labour market; employers to find qualified employees;
- To provide and regulate employment services.

Source: Barry and Norton (2000: 6-11)

SD is defined as follows:

To provide an institutional framework to devise and implement national, sector and workplace strategies to develop and improve the skills of the SA work force; to integrate those strategies within the National Qualifications Framework contemplated in the SA Qualifications Authority Act, 1995; to provide for: learnerships that lead to recognised occupational qualifications; to provide financing of skills development by means of a levy-grant scheme and a National Skills Fund; to provide for and regulate employment services; and to provide for matters connected therewith.

Skills Development Levies Act, No. 9 of 1999

The government created a platform to give effect to its transformational goals wherein all stakeholders, in order to protect their interests while discharging their respective responsibilities to their constituencies, are able to give input in the implementation of the Act. In addition, various key institutions were created by government as “vehicles for the fulfilment of its goals”. Funding of SD activities is provided by government via the Skills Development Levies Act 9 of 1999.

The SDL is an obligatory levy to foster learning and development in SA, and according to SARS (2016) is determined by an employer's salary bill, with funds to be employed to improve and develop employee skills. All employers that have been registered have to pay the SDL one percent of the total employee salaries

paid (including bonuses, payment for overtime, commissions, and lump sum payments, as well as leave pay).

SARS further advises that, “where an employer expects that the total salaries will be more than R500 000 over the next 12 months, that employer becomes liable to pay SDL”. SDL amounts withheld by the employer or that have been deducted have to be paid monthly to SARS, with levies distributed via SETAs.

Key stakeholders in the successful implementation of the SDL Act include Government, Organised Labour, and Organised Business (Barry and Norton 2000: 6-11):

Organised Labour takes part at all three implementation levels (strategic, sector and company), forming part of the NSA at a strategic level. The DoL is advised on regarding strategy and policy formulation by the NSA, while at sector level organised labour takes part in the SETA and is thus involved in the design and implementation of sector-specific skills plans. At company level, labour participates in formulating workplace skills plans and reports which address both company and sector training needs.

Organised labour protects members’ employability and development by participating in the assorted structures, with its involvement emulated by business at all three levels of implementation. Moreover, organised business, through the payment of levies, therefore funds skills plan implementation.

Once participating companies submit implementation reports of their workplace skills plan, they are reportedly paid fifty percent of the levies, with nearly 20 percent of the levies paid to employers implementing learnerships, in addition to other sector-specific skills programmes that have been prioritised. The running of the SETAs is accomplished with 10 percent of the levies. It is found by Strong (2000: 15-19) that productivity is increased through learnerships, which are also employed in improving current skills levels, as well as facilitating the creation of

new skills. The author further highlights that, in order to sustain and expand employment and build internationally competitive industries, productivity is crucial.

5.7.4 Institutions Created by the Act

The National Skills Authority (NSA)

The NSA advises the Minister of Labour on the formulation and implementation of the national skills strategy and policy, its implementation guidelines, and allocation of subsidies from the National Skills Fund. The NSA also liaises with the SETAs and reports progress on implementation of skills plans to the Minister.

Sector Education and Training Authorities (SETAs)

SETAs receive 80 percent of the levies paid by companies. SETAs develop sector skills plans in line with the national SD strategy. They approve the workplace skills plans submitted by organisations in their sectors. SETAs also promote and establish learnerships. Finally, SETAs disburse grants to participating companies, provided that those companies have submitted workplace skills plans and implementation reports to the SETA by 30 April every year (Erasmus and van Dyk 2005; Grobler *et al.* 2006).

5.8 CONCLUSIONS

This legislation affords all key stakeholders the platform and opportunity to participate in a meaningful way in the rebuilding of our country. Through this legislation, transformation is 'our business'. These acts have gone a long way in sustaining training and development in SA, and also add to an element of business sustainability and ultimately, economic growth (Training in SA 2010).

The lack of training and HR development in SA has resulted in lower productivity, a higher staff turnover and fear of technological advancement, as employees think they might be laid off or retrenched should they not have the necessary skills. Another trend identified in the review shows that many companies of all size are still of the mind to cut costs on functions that do not have a direct bearing

on the generation of income. Unfortunately, this includes training, which is still seen as a cost and not an investment. It appears SA companies have been too busy, first coping with, and now trying to move on from, the financial crisis of 2008/9, and these day-to-day business activities prevent measuring the effect of training on their financial performance, as shown by the lack of published material in this regard.

Training and development in SA can be seen as the way in which an organisation uses a systematic process in order to modify the knowledge, skills and behaviours of employees in order to enable them to achieve organisational objectives.

As explained by various authors (Alais 2012), the Skills Development Act aims to provide an institutional framework to devise and implement national, sector and workplace strategies to develop and improve the skills of the SA workforce, as well as the integration of those strategies within the National Qualifications Framework contemplated in the SA Qualifications Authority Act, 1995. The Act furthermore provides for learnerships that lead to recognised occupational qualifications, the financing of SD by means of a levy-grant scheme and a National Skills Fund; and the regulation of employment services; while also providing for matters connected therewith (Ramutloa 2006).

Training is a process and is not perceived to consist of legal rights and duties; even where the TLS is concerned, participation is voluntary. Parties (employers/employees and trade unions) choose to use them or not. Failure to use them in the circumstances in which they operate does not attract any legal penalties or sanctions, yet unless the process is followed, training can and does impact a company's financial performance negatively.

The provisions of the TLS have a bearing on other statutory areas, such as Labour Relations and Insolvency, as well as the Companies and Competitions Acts. These Acts and the TLS operate, in one way or another, within the same

space. Inevitably this leads to contradictions and/or duplications of processes. Sometimes the TLS creates extra functions for institutions established under a particular Act, for example, Local and Provincial Authorities. Due to the fact that they are guidelines, they cannot supersede any statutory provisions.

The management of retrenchments through the TLS creates an extra function for employers which is not, strictly speaking, required by an Act. Employers are reluctant to embrace a process that is not a legal requirement when there are legal requirements from other Acts that seek to address the same issues.

5.9 IMPLICATIONS

Under the weight of social pressure to review policy norms governing retrenchments, the law has seen various procedural and substantive changes made. Cheadle, Thomson, Le Roux, and Van Niekerk (2002) state that, “in essence, the unions have won the case that retrenchments are too easy and expedient for employers facing hard times and that the bar must be raised”.

The implications of the provisions of the new Section 189(A) include retrenchment now being a striking issue, with more scope for trade unions to challenge retrenchment; and clarification of the approach the courts must take on the merits of retrenchment.

It is an accepted principle that one of the indicators of a good economy is its ability to create and sustain employment. The SA economy is shedding employment and, therefore, from an economics point of view, the economy is not doing well.

The causes, as highlighted in this study, are mainly the fact that SA competes on the global stage and, 20 years later, can no longer seek the protection of, or lay blame at, the door of the apartheid era. The SA government, through the DoL, responded to the pressure exerted by labour movements, promulgating the Social Plan Guidelines, which failed, followed by the TLS in 2009, which has not been studied.

5.10 SUMMARY

It is seen from the review of literature that various complications can arise when processes are not followed, such as attending to the legal aspects of the training processes.

The next and final chapter looks at whether the research question(s) was addressed, potential problems and their solutions (if any), along with areas for future study.

CHAPTER 6

FINDINGS, CONCLUSION AND RECOMMENDATIONS

6.1 IMPORTANCE OF STUDY

The preceding chapter outlined the findings from the literature review, setting out both positive and negative factors, followed by proposed solutions. In this chapter, findings, conclusions and recommendations are made, based on the study findings.

It is clear from the study that finance and training management and practice must be an integral part of a company's business plan, more specifically, its strategic plan, to allow for better informed human capital investment decisions. This includes the provision of a holistic approach to training for employees, one that covers both their education and development, as well as potential retrenchment.

6.1.1 Response to the Crisis

The Global Jobs Pact was adopted by the International Labour Conference in June 2009, "to promote a framework for national responses to the global economic crisis and to highlight policies for governments, workers, employers and the multilateral system". The Pact was developed from the principles outlined by the ILO in its 2008 Declaration on Social Justice for a Fair Globalization. (Hansen 2012).

Among the strategies the Global Jobs Pact proposed, the elements related to SD include helping jobseekers by implementing properly targeted, effective and active labour market policies and enhancing the competence and increasing resources available to public employment services. This will ensure that jobseekers receive adequate support and, where they are working with private employment agencies, it is ensured that quality services are provided and rights respected.

Additionally, the strategies involve implementing vocational and entrepreneurial skills programmes for paid and self-employment and investing in workers' SD, skills upgrading and re-skilling to improve employability, in particular for those having lost, or at risk of, losing their job and vulnerable groups. Further strategies aim to limit or avoid job losses and support companies in retaining their workforce through well-designed schemes implemented through social dialogue and collective bargaining. These could include work-sharing and partial unemployment benefits.

Moreover, the Global Jobs Pact stressed that crisis response strategies, in general, service the most disadvantaged, and affected citizens should be prioritised, while also promoting social dialogue in development and implementation.

Since the adoption of the Global Jobs Pact, the ILO has been active in assisting member countries to implement these strategies. Prominent in these activities have been efforts to support the work of the G20 countries in devising responses. As a part of these overall efforts, the ILO has emphasized three areas where SD can play an important role to:

- 1 Speedy re-employment of displaced workers into productive and decent work;
- 2 Use downtime, when opportunity costs of training are lower, to upgrade workers' skills as an investment in future productivity and competitiveness; and
- 3 Train workers for the types of jobs created by stimulus packages so as to maximise the number created and avoid skill shortages that would delay implementation of public investment schemes in physical infrastructure and public services.

Although the ILO report was commissioned to review assessments of training programmes by countries in each of these three areas, at the time of the study

no impact evaluations had been conducted on programmes introduced in reaction to the 2008/9 crisis. A review of literature also revealed little, other than the basics regarding SA's TLS, with more negative than positive publicity in the last two years.

In order to meet the objectives of the study, a review was done on Globalisation; Training; Financial performance of SA companies; and Statistical information on employment in SA; as well as available literature regarding the government's TLS; and the legislative framework concerning training, financial performance and retrenchment/layoff.

6.1.2 Globalisation

SA's changeover from an apartheid government to a democratic one resulted in the country becoming part of the global market, faced with global competition for the first time. As Rhinesmith (1996) states, it is imperative for SA companies to "have the ability to respond effectively to the prevailing challenges in a manner that surpasses that of their competitors". The closer amalgamation of national markets, and its globalisation, is found by O'Rourke and Williamson (2000) not to be a new phenomenon or concept. This supports Slabbert, Prinsloo, Swanepoel, and Backer (1999), who are of the opinion that globalisation has always been there; it is "the scale and impact of globalisation on business environments around the world" that has changed, along with the rise of what has come to be termed the 'global village'.

SA, as a nation state was, and still is, affected by globalisation, having moved from 'a history of economic protectionism' to become a member of the World Trade Organisation (WTO). The move was facilitated by the change in the political dispensation in 1994. Prinsloo, Moropodi, and Parker (1999) confirm that political reform in SA is held by Prinsloo *et al.* (1999) to have 'opened up SA's economy to global markets'. As a result, global competition is a challenge which forces SA companies wishing to enter the global market to undertake transformation on a structural level and be competitive.

Due to the high levels of competition, SA currency has both fluctuated and appreciated, and various sectors, including textile, mining and the steel industry, have had to 'shed more jobs to survive'. This has impacted on individual employees and communities in which affected organisations are situated.

In order to survive global competition, Parker (1998) is of the view that business organisations must continually adapt to an ever-changing external environment and become 'world-class' organisations. Being a world-class organisation means that the organisation must have the ability to respond effectively to the prevailing challenges in a manner that surpasses that of other competitors. The opinion held by Rhinesmith (1996) is that "the strategic intent of a world-class organisation is to concentrate on delivering the highest-quality product or service to the most profitable worldwide markets, at a lower cost, under changing market and competitive conditions". Fundamentally, employment is impacted by this type of strategic intent.

Research concurs that previous government measures, such as the Social Plan, was not an adequate concept to address retrenchment challenges in SA, and EAPs were not addressing the changes in employee training from within the corporate world. Whether expanding or downsizing, companies that have identified employees to be retrenched, or be moved to elsewhere within the company, can no longer ignore the role training plays and its importance in the company's financial performance.

6.1.3 Training

Training is generally considered to improve firm performance, with support for this idea by 'the resource-based view of the firm and the knowledge perspective'. According to these perspectives, the main sources of competitive advantage for the firm are its intangible resources (Barba-Aragón *et al.* 2012).

Among these perspectives, Barba-Aragón *et al.* (2012) find that HR, specifically human knowledge, as well as skills and attitudes, are focused on in research studies throughout the 1900s. The present review of published literature finds this to still hold true, with training and firm, as well as employee, performance measurement having moved to the front of the field in the last decade.

Traditionally, training is believed to be ‘the main activity in achieving a qualification’, according to Barba-Aragón *et al.* (2012), yet in a recent development, tertiary qualifications are reported by Ernest & Young UK as no longer being a prerequisite to recruitment (Business Day October 2016).

The anticipated lagged impact should see innovation in personnel management and training and development practices, as their involvement in “developing the firm’s human capital resources, assuring flexible and well-prepared employees, facilitates the creation of a sustainable competitive advantage and therefore improves firm performance”, according to Barba-Aragón *et al.* (2012).

The authors find the relationship between training and performance has been analysed by several empirical studies, showing in general that “training has a positive effect on productivity, sales growth, employees’ salaries and quality”. On the other hand, the evidence of financial performance being positively affected by training is found to be very weak by Tharenou *et al.* (2007). Nevertheless, while training is found in some studies to be negatively related to certain financial performance measures, training and performance are still considered by the literature as positively related. The review being undertaken supports the findings reported on by researchers such as Barba-Aragón *et al.* (2012).

Various other explanations as to whether training does have an effect on financial performance of a company have been presented, including the findings by Barba-Aragón *et al.* (2012) that training does not have a direct, but an indirect, effect on performance by improving employee performance and other organisational outcomes. In addition, the lagged effect of training illustrated by Chen *et al.* (2013)

is held as the main reason why the effect of training is not in fact measurable in its present form, which needs to be updated to reflect practice.

6.1.4 Financial Performance of SA Companies

It is difficult to attribute all job losses to globalisation, partly due to the difficulties of defining and measuring the effects of globalisation on organisations, and partly due to many other factors that are unique to a particular country, and probably unique to a particular industry or sector. Despite the difficulties of defining and measuring retrenchments, it is certain that in SA there is a worrying trend to reduce employees.

Trade unions believed, as long as 20 years ago, that SA's entry into the global market would bring about globalisation and competition, resulting in dire consequences for the continued employment of their members. Organisations have to retrench workers from time to time for economic reasons and because organisations have to rationalise to remain globally competitive (Department of Labour 1999).

The reviews see a first opportunity for future research in the theoretical explanation of why training might help to increase firm performance. Training has directly improved HR outcomes such as knowledge, skills, abilities and attitudes, as well as behaviours and motivation of employees. By directly linking training with firm performance, however, the majority of studies have ignored the potential mediating role of these HR outcomes on its relationship with training.

With the government's TLS being under-utilised, as reported in recent media, the effect of training on SA companies' financial performance could more accurately be measured with case studies at firms where the TLS has been successfully implemented.

6.1.5 Statistical Information on Employment in SA

SA's unemployment rate slightly decreased to 26.6 percent in the June quarter of 2016 from 26.7 percent in the three months to March. The number of unemployed fell by 1.6 percent and employment went down 0.8 percent. The unemployment rate in SA averaged 25.31 percent from 2000 until 2016, reaching an all-time high of 31.20 percent in the first quarter of 2003, and a record low of 21.50 percent in the fourth quarter of 2008 (Kazemi 2016). The unemployment rate in SA is reported by Statistics SA.



Figure 12: SA Unemployment Rate

Source: TradingEconomics.com (2016)

The statistical information presented (Figure 12) gives an indication of the extent of job losses and unemployment in SA. Job losses must be managed to avoid an increase in the already high unemployment rate; either way, training's role is highlighted as a crucial part of the solution.

6.1.6 Available Literature Regarding the Government's TLS

The CCMA (2016) offers more in-depth information on the scheme, referring to the effect of "the deepest and most serious economic crisis in at least 80 years" and SA's response. Through NEDLAC, in partnership with the Presidency, a collective response was agreed on "to the challenge facing us".

The purpose of the TLS initiative is stated as ensuring “the poor and the most vulnerable are protected as far as possible from the impact” (of the ‘Economic crisis in 2008/9); “that the economy is ready to take advantage of the next upturn and the benefits of such growth are shared by all our people”.

6.1.7 Legislative Framework Concerning Training, Financial Performance and Retrenchment/Layoff

6.1.7.1 Training Legislation

The importance of training and development has also been realised by the government and the following three Acts, discussed in Chapter 3, have been passed:

- 1 SA Qualifications Authority Act, No. 58 of 1995;
- 2 Skills Development Act, No. 97 of 1998 and subsequent amendments;
- 3 Skills Development Levies Act, No. 9 of 1999.

The government’s aim is to address two main priorities through the Skills Development Act, namely improving skills and increasing productivity, as well as creating a more inclusive and cohesive culture, in which apartheid imbalances are addressed.

Consistent with these general objectives of the government, the legislative purposes include developing the SA workforce’s skills, with workers’ quality of life improved as a result, along with expectations of progress. Consequently, the relevant Acts also contribute to improve the competitiveness of employers through enhanced workplace productivity, while promoting self-employment and addressing social services delivery.

Legislation is further needed to grow investment levels in training and education in the labour market and ensure increased ROI. This will encourage the workplace to be used as an active learning environment by employers, which will provide opportunities to acquire new skill to employees. Moreover, with the aid of

legislation, opportunities can be provided to gain work experience by new entrants to the labour market. The legislative purpose, in addition, includes employing persons who find it difficult to be employed, particularly persons that had previously been disadvantaged, with little or no prospects of employment, due to unfair discrimination.

The applicable legislative Acts that deal with training have been set in place to redress the disadvantaged through training and education. By ensuring the quality of learning in and for the workplace, workers are thus encouraged to take part in learning programmes. However, legislation further assists employers to find qualified employees and work-seekers to find work, while also providing opportunities for retrenched workers to re-enter the labour market. Moreover, the Acts that deal with training and education regulate and provide employment services.

6.1.7.2 Management of Retrenchments

The management of employment relations must, according to Parker (1998), be shown as an integral part of a company's business plan. These relations have to be of a long-term nature and proactive; also that they are an important matter for management because the model of addressing retrenchment challenges must have as a base, or must flow from, a company's business plan.

The management of retrenchments, by its very nature, involves employees. The employees are involved while they are still employed and when they are exiting the company through retrenchments. The participation of employees in matters that affect them and their company is important. Parker (1998) discussed the concept of Participative Performance Driven Governance. This concept is the foundation of the involvement of employees in companies that are ascending to world-class status.

The management of retrenchments involves employees and the company. Therefore, it makes sense to apply the concept of Participative Performance

Driven Governance to the management of retrenchments. The concept allows for joint participation of management and employees in focusing on business results. Business results, in this context, refer to the financial viability of the organisation while effective measures to avoid and/or minimise retrenchments are put in place.

The activities of this concept are laid down in the company's business plan. The discussion on the construction of the new model of managing retrenchments as above is premised on:

- The concept that employment relations and corporate social investment can address the objectives of managing retrenchments;
- The concept that employment relations (and corporate social investment in its own right) must be managed inherently as part of a company's business plan; and
- The world-class concept that management and employees jointly drive performance (Participative Performance Driven Governance).

The combination of these three concepts creates a new model for managing retrenchments, namely World-Class Management of Retrenchment Model.

6.2 CONCLUSIONS FROM LITERATURE REVIEW FOR BOTH TRAINING AND FINANCIAL PERFORMANCE OF SA COMPANIES

As expected, training has a variety of positive effects on financial and non-financial firm performance. These effects might be much broader than the results of many previous studies suggest, making them of considerable importance in terms of both theory and managerial implications. The research question has thus been answered and objectives met.

The review supports Bernstein and Beeferman (2015), who find that various methods are shown in literature to be employed in measuring training expenditures, either as a percentage of each company's total payroll per firm, or per employee. Some researchers make use of the fact that there is a training

policy, while others determine how much of the workforce is trained, or the amount of time allocated to training.

6.2.1 Types of Training and Recipients

The review confirms that a variety of training types (Figure 1) and formats were also found, ranging from formal skill instruction to general on-the-job training, along with recipients of training who differed as well. Recipients of training are found to be comprised of both entry-level employees and production workers in specific sectors. Even with some studies finding that training has no relation to financial outcomes, these studies were mostly done more than a decade ago and none have been found for SA.

6.2.2 Training as Investment

It is worrying that, even though the concept of training has, since the introduction of the TLS in 2009, become more formally recognised and legalised, there are still executives who do not engage the financial function in all training and development planning, as is the case at present in Government, where the Finance Minister is not included in talks to address financial problems at tertiary institutes (Business Day October 2016).

6.2.3 Financial Performance

Investigations of links between corporate performance and training and HR management date to at least the late 1930s, when researchers looked mostly at outcomes of company policies, such as employee job satisfaction, but failed to find much (Harter, James *et al.* 2010 in Bernstein and Beeferman 2015). Interest resurfaced in the early 1960s after the term human capital was used by Nobel Laureate economist, Theodore Schultz, to describe the investments and systems companies used to train and manage employees (Foong and Yorston 2003).

Barely four years later, in 1964, Gary Becker, another Laureate economist wrote what is described as a seminal book, "Human Capital". Researchers began to

examine investment outcomes in the 1980s and numerous papers that followed Becker's work focused on productivity.

Bernstein and Beeferman (2015: 10) assert that Becker's 1962 book, "was among the first attempts to argue that company-paid training is not just an expense but is also an investment akin to other capital costs". Becker's focus on human capital (1962, 1993) has influenced both economists and other experts as the prevailing view, identified by Bernstein and Beeferman (2015) and supported by this study, which was that on-the-job training, whether formal or informal, was similar if not the same, as any other type of education, such as college or high school.

The previous contention was that employees reaped most of the benefit from this education, being able to leave for a higher-paying position once they had enhanced their skills through in-house/company training. By implication, even should employers provide the actual training, the costs could always be offset through lower wages until the training is complete. This perspective has been altered, according to Bernstein and Beeferman (2015: 10), by the introduction of Becker's perspective of human capital, with the argument that "companies and employees both benefit from training, even if the employee enjoys subsequent wage gains as a result". This is supported by the European Centre for the Development of Vocational Training (Cedefop 2011) in their study concerning the impact of vocational education and training on company performance.

Nevertheless, SA-published research on the topic of the effect of training on a company's financial performance offers scant returns, with the two topics studied extensively on a global scale, yet mostly separately. Global research, however, shows training to have a definite positive effect on a firm's financial performance, with the most common hurdle identified in measuring the effect of training on financial performance being that "the learning function is simply too busy dealing with the day-to-day tactics of learning administration and delivery", making processes appear cumbersome, tedious and even complex (Wyatt and Frick 2010: 203).

6.3 RECOMMENDATIONS FROM STUDY

This review is important for practitioners that deal with training in the workplace and firm performance. Training activities may be known to play an important role in linking firm performance with employees, their training, education and development. Nonetheless, the specific form of the relationship between training and firm performance, whether as ‘a contingency or universal perspective’, is still reported as debatable.

Should an organisation wish to improve its performance, training is shown to be ‘a valuable path to follow’, and, in light of the presented review, together with a Conceptual Framework for analysing today’s training and firm performance issues in SA, managers could find some unexpected advantages to training.

6.3.1 Measurement

The TEFT is a recent (2012) pilot collection of free online resources, which has been designed to help programme managers, implementers, and evaluators plan successful outcome evaluations of in-service training programmes.



Photo 1: The TEFT, a collection of online resources for evaluators and stakeholders in planning efficient, well-organised, and appropriate evaluations

Source: I-TECH (2012)

Dr. Gabrielle O'Malley of I-TECH, a University of Washington professor and evaluation specialist, explains that the question of training someone and then establishing the effect, "is one of the simplest, and most difficult, faced by the people who fund, design, and implement health care worker training programs worldwide". Truth of the matter is, it is not just health care workers who practice in complex settings, this is applicable to employees in many different professions. The end-result is that measuring the impact of instruction received can be a challenge.

When focusing on the unique needs and challenges of outcome evaluation of in-service training programmes, evaluators and stakeholders do not have to meet this challenge alone. At the request of the US Health Resources and Services Administration, O'Malley and an I-TECH/University of Washington team developed the Training Evaluation Framework and Tools, or TEFT, a collection of resources to help evaluators and stakeholders plan efficient, well-organised, and appropriate evaluations. The TEFT is available to any user online (I-TECH 2012).

Measuring types of training for managers, supervisors, and workers allows a better understanding of the influence different types of training have on performance indicators, both financial and non-financial. Subsequently, deciding in which manner, and at what time, to provide training programmes to employees so they can perform at their best, becomes a holistically-informed decision.

A successful measurement initiative actually uses outcomes to make informed decisions. To base decision-making on results means trends in past activities must be identified, along with being able to forecast the organisation and its initiatives' direction. As Kirkpatrick (2009: 58) explains: "Knowing what actions to take 'before the numbers show up in the report or appear on the dashboard' calls for action planning; a valuable exercise overlooked by many managers when defining measures and reports".

6.4 FUTURE RESEARCH

In the case of this review, the success would depend on published literature. In publishing the findings of the review, it is hoped further research that will investigate the actual and holistic effect of training on SA companies' financial performance will result, using the Conceptual Training Framework (Figure 10) developed by this study. In addition, studies regarding the effectiveness of the TLS from the retrenched workers' perspective should also be undertaken.

It is, nonetheless, expected that those retrenched, skilled workers who enter the entrepreneurial market will be better equipped to succeed, opening yet further areas for future research study.

An important question is whether training unequivocally affects HR outcomes, which in turn impacts on firm performance levels. Highlighting this feature provides an added point of departure for future research, namely, to test the mediating effects of HR outcomes, which could be useful in unravelling the relationship between training and firm performance.

The results of estimates depend on the accuracy of the assumptions, while low response rates and a lack of data may lead to incorrect results. Thus, the methodological limitations of this study, as a literature review, present opportunities for future research. It is also clear that future research will encounter challenges with regard to suitable techniques for data collection, the design of questionnaires, the choice of sample sizes, and relevant variable measurement, in addition to a well-chosen estimation framework.

Previous studies have determined the effects of training on firm performance in many specific countries and jobs. Nonetheless, most of these studies have been implemented in developed countries (Aragón-Sánchez *et al.* 2003; Faems *et al.* 2005; Barba-Aragón *et al.* 2012; Aragon and Sanz-Valle 2013), whereas the relationship between training and organisational performance is not adequately addressed and studied in developing countries. In addition, the impact of training

for different types of employees, ranging from worker and supervisor to office staff and management, and their performance, might vary according to location and job characteristics. Therefore, there is an opportunity for future research to examine the influence of training on firm performance relative to the features of job characteristics, as well as specific country.

Although the presented review shows that training can have positive and significant effects on firm performance, corresponding research in other sectors may have different effects or views on the relationship between training and firm performance. Therefore, future research might estimate the impact of training on firm performance in other specific sectors in order to provide another potentially interesting result on the relationship and contribute to the current literature within the field.

6.5 CONCLUSION

This study provided a review of the literature on training and its effect on financial performance of SA companies, proposing a Conceptual Training Framework as possible solution in evaluating the actual effect of training on a South African company's financial performance.

The review of published research regarding training and firm performance issues was done to evaluate their disadvantages and advantages. Studies were found to include research in this regard on topics from research design and estimation methods, to that of variables and firm performance measurement. Recommendations made suggest directions for future research, which will consequently improve the accuracy of the research results on this topic in the future. The study reviewed the important theoretical models and proposes that a holistic framework for analysing training and firm performance issues be developed, with due consideration to the Conceptual Training Framework proposed. Data from previous studies in published literature were used to assess the effects of training on financial firm performance.

Based on firm performance measures used in previous studies and the inevitable old adage: "...only manage what you can measure, and only measure what you can control..." (Moore 2009), along with Thang *et al.*'s (2010) classification of firm performance into financial and non-financial categories, this review offers new directions for future research.

Although, at the outset, the perception was that the effect of training cannot, in fact, be measured where its effect on a company's financial performance is concerned, specifically in SA; it can be done. However, management and practice from both finance and training need to be interwoven into a company's business plan, specifically its strategic plan, so that better informed decisions can be made with regard to any human capital investment, including the provision of a holistic approach to training for employees, one that covers both their education and development, as well as potential retrenchment.

Mostly, though, finding solutions should focus less on what exists and more on what needs to come into existence, as this is what will actually step up transformation of systems in use that no longer reflect reality.

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APPENDICES

Appendix A: Editor's Certificate

Helen Richter
Advanced Editing, Proofreading
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7 April 2019

LANGUAGE EDITING CERTIFICATE

To whom it may concern:

I have proofread and language-edited the Master's thesis:


**"The Effects of Training on the Financial Performance of South African Companies;
a Conceptual Training Framework"**

By

Lana-Ann Brady

The work is, to the best of my knowledge, the author's own work and is free of spelling, grammar, and structural and stylistic errors.

With thanks.


H. S. Richter (Ms)
