

# ROI and Justification of E-learning

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Great news! In a 3-year study by 400 of the Fortune 500 companies, it has been definitely concluded that e-learning will produce an annual Return On Investment of 43%. Isn't that great?

*Sound of ripping paper.*

Ok. That didn't happen. Not possible. It could, and has of course, but I just can't make a blanket statement. The first problem with the idea is that conventional ROI doesn't really apply to training very well when you look at the overall cost and impact of training, which is a very complex thing. ROI tends to be very limiting, and entirely a "look-back" evaluation, based on a definitive set of metrics, which are generally based on cost savings.

So, how to decide whether the elearning you've put in place, or the elearning you are contemplating, is worth the investment? Training has many aspects, and the study of its efficacy can't be measured easily. So you have to employ more of an approach from Robert Kaplan's *Balanced Scorecard* theory and use a suite of metrics to evaluate the effectiveness of changes you make to training.

There are two basic components: cost savings and improved results. If it saves money and gets better results, well, golly gee, that sounds like winner. But what if it saves money, but doesn't improve the result? Not so good. And what if it doesn't save much money and doesn't improve the result? Bad news.

## **COST SAVINGS**

Cost savings is the easiest to look at, and generally is going to come out quite compelling. It doesn't take a master accountant to figure out that if you eliminate one home office conference for 500 salespeople per year by distributing, for example, new product training through the Internet, you'll save a bunch of money. There's no leap of faith in thinking that the payback period could be rather short when you consider airfare, hotels, resources and lost productivity involved in home office conferences.

It also doesn't take a genius to figure out that if you reduce classroom time by 25% by employing a "classroom sandwich" concept – using elearning as pre-work to build basic competency before class, then using it again as a refresher after class – you can reduce costs. Instructor-led is a high-dollar-burn investment, and is rather inefficient by its nature. It is essential to have face-to-face time, especially for the interpersonal and subjective elements, but to use classroom time to learn the basics is an inefficient use of the training dollar.

There are a number of other metrics to use, but the point is made with these two. The cost of self-paced learning is far lower than the cost of instructor-led, both in terms of efficiency – generally

you can count on 3 hours of classroom time being replaced by 1 hour of asynchronous (self-paced) learning – and in terms of resources expended to run the class.

This is where web-based training tools shine. Theoretically.

### **IMPROVED RESULTS**

Here's where it gets sticky, and less logical. What if the people don't learn anything from the online coursework? That's bad, but not immediately obvious. Here's where ROI gets in trouble. There are very different metrics to use in measuring the effectiveness of elearning when it comes to improving the result. Here are some obvious ones:

- ?? improved customer satisfaction,
- ?? higher per agent production
- ?? lower agent turnover
- ?? higher branch office production

If you carefully measure these things after using elearning for a period of time, and they don't happen to look good, you're going to question the validity of elearning altogether.

In fact, that's what's happening right now. Many companies who threw themselves at elearning full bore are looking at the metrics and saying: whoops. The fast conclusion many times is that elearning doesn't work. Take a look at the reduced number of elearning vendors at the last ASTD conference. Many companies are going back to face-time. And that may throw off the cost savings figures.

Does that mean elearning is destined for the trash pile of wonderful-sounding ideas that just didn't work out? Absolutely not! It just means we have to

look at it with new eyes. Web-based learning can be extremely powerful in terms of both cost savings and result *if designed and used properly*.

The problem with “conventional” elearning is that it can be excruciatingly BORING. Nobody learns if they are bored stupid – that's a fact.

Dr. Michael Allen, CEO of Allen Interactions and one of the early pioneers of interactive multimedia learning tools, says in his *Guide to e-Learning*: “Boring instruction is not effective instruction. Minds wander, attention wanes, learners muddle through, maybe. When learners are through, they're through – relieved it is over and ready to escape to something else as quickly as possible. Little is retained. Needed behaviors have not been established. Rich associations do not exist for learners to remember key points. It's a waste. It's bad.”

If that's what I saw when I looked at how effective my elearning component was, I'd pull the plug, too.

The biggest problem may have been expectation. Trainers expected that online learning would be the next greatest thing, but they designed it to be an asynchronous version of the paper-based or PowerPoint-based content they were trying to replace. Unfortunately, they created a curriculum that was equally boring, but now lacked the potential for instructor supervision. They expected the student to be self-disciplined and learn the content in seclusion. The tests inside the course was fine, but that pesky Back button meant they could look up the answer and retain it for just that 5 second period they

needed to answer the question. That doesn't lead to retention, or competency.

In fact, according to Dr. Sivasailam Thiagarajan ("Thiagi"), the guru of making training truly fun and effective, "retention for conventional elearning seems to be around 25%. In addition, the completion rate for conventional elearning seems to be only 35% in the absence of strict supervision." These aren't good numbers. And if they didn't learn the content well enough to apply it to their jobs, and create some increase in result, what good is it? What has happened is that trainers are bringing back the face-time in order to make sure the learning is finished and retained. Well, this starts to defeat the cost savings, doesn't it?

So, ROI on conventional elearning is a complicated thing, and not terribly pretty. But, if elearning were made to really work in the make-the-training-stick department, the cost savings metrics still would look great, and so would the result metrics. How do we do that?

Let's remember the basic challenges facing the industry: 1) getting agents and managers to actually DO the training, 2) getting agents and managers to actually UNDERSTAND the training, and 3) getting agents and managers to actually USE the training. Obviously, if they don't do it, don't retain enough to understand it, and don't use it, none of these are accomplished.

### **MAKING A POSITIVE ROI**

Let's strip it down again. If elearning were able to deliver excellent retention when used in a true asynchronous environment, it would be a beautiful

thing. It really would. So the challenge is to create the perfect web-based learning environment, one in which the cost savings are realized and where the result is clear and positive.

To make that happen, you need to get the student to stick to the material, understand and retain it well enough to apply it to their job so that they can excel in creating excellent results.

How?

There are two approaches to this: Machiavellian and Engagement. The Machiavellian approach requires heavy supervision by managers and/or accountability. It's external and fear-based, consisting of many tests and reports and hands-on control. Only some of this can be easily built into the elearning coursework or the Learning Management System, but some has to involve managers. And how do you control how much or how well they will do what's necessary to get results? More supervision. All of this starts to eat up the cost savings, doesn't it.

Engagement is the other approach. This is where the elearning is designed in such a way that the student is captured, and engaged, and actually – dare I say it – *wants to learn* the material and is *motivated to learn* the material. This is an internal learning approach, where they learn the material in such a way that it actually permeates their being and becomes part of them. In a perfect world if that happens, they will then use the training instinctively in their job. If the training content is good stuff, the result has to be positive. Can't miss. If Level 1 (the smiley face test) is truly

positive, the chances of the other Levels being better is pretty good, too.

### **CREATING ENGAGEMENT**

Engagement in a piece of web-based coursework is created by a number of devices, such as simulations, game techniques, storylines and relevancy. Done right, the student is entertained into learning, comprehending and applying the training material to their job. Woven properly into a matrix of other delivery devices for reinforcement and the subjective things (a blended solution), web-based content makes perfect sense.

### **DOES IT WORK?**

In a recent article by at <http://www.line56.com>, Demir Barlas interviewed David Palm, the VP of education and career development for Cincinnati's Fifth Third Bank. Palm worked with Saba software to develop web-based learning modules for sales and customer service. When he came to Fifth Third training was fragmented, decentralized -- there was no delivery media outside classrooms and sending people memos. Sending people to classrooms was impractical and expensive, and it was impossible to ensure that memos and brochures were having their intended educational effect.

Saba built e-learning courses and a Learning Management System to track and measure employee performance and relays those metrics back to Fifth Third. According to Palm, there was a clear case in which e-learning could be correlated to a 30 percent greater result in sales performance. In terms of cost savings, the Saba systems reduced Fifth Third's training and administration time by 50 percent.

### **HOW TO DO IT**

Dr. Allen again: "Like every other aspect of human behavior, learner motivation is complex, but a simple view of *motivation* is sufficient to reveal powerful design principles for interactive instruction. The simple view is this:

- If we want to learn, we will find a way.
- If we don't want to learn, we won't.
- If we want to learn but the e-learning application isn't working for us, we will turn to something else."

How do you create an environment where the learner *wants* to learn and is *motivated* to learn, too? The answer is a little Machiavelli and lot of Engagement. Even if it's interesting and fun, if the student doesn't *have* to learn, he probably won't. But if he *has* to learn, it's a whole more successful if it's fun, engaging and relevant.

### **EXAMPLE**

Let's say you want a branch manager to learn the right way to motivate agents and handle coaching sessions. Just telling them how to do it and hoping they do it, isn't going to work. They'll try, but most probably will go back to whatever they were doing before the training.

However, if you teach them the proper steps of coaching in a simulation of a coaching session, with realistic characters and situations, then it will be more fun, more relevant, and they'll see how it applies to their job and their real agents. Suddenly the steps will make more sense. Voila! They'll probably start to use it.

If you make the simulations interesting and fun, and even wrap them up like subplots in a larger storyline, they'll relate to it – and stick to it, learning in spite of themselves. And if you exploit other elements of human nature, like testing them with games (like Jeopardy) instead of quizzes, they may just go through the training program.

### **ULTIMATE SUCCESS**

Ultimately, success or failure of elearning comes from results, from the agent who asks “am I better prepared to succeed?” and answers “yes” to the guy who says “hey, we saved a ton of money using this stuff”. What really matters is how well you serve the student who just wants to know how to do his job the best he can. Succeed at that, and you are well on the road to creating a positive ROI for the results side of the equation.

And I can't stress the importance in all of this of the quality of the material. Elearning is the printer, not the writer. If the learning material is awful, don't shoot the messenger. Don't blame the Internet for the failure of poorly designed coursework – that wouldn't be fair.

Elearning is in transition, evolving just like automotive industry did in the 1900's. At first, the car was a plaything. When that didn't look like it was going to take off, manufacturers started marketing it in different ways, making people look at it for results that hadn't been immediately obvious. Soon the Model A was created and people realized they could use a utilitarian vehicle to get someplace faster and easier. And that was good. The rest is history. The automotive industry

creatively figured out how it could make something that really works for people.

That is currently happening in the world of elearning. The first go-around of web-based content maybe didn't entirely work out, but the bath water doesn't have to contain the baby. Elearning has way too much potential to be thrown out so fast.

### **WRAP UP**

The bottom line is that when elearning is reviewed by the bean-counters they can't globally use conventional ROI to determine whether or not they should throw it out or build more. They have to use a more complex, customized set of metrics to determine its value. And those metrics have to look not so much backwards at what conventional elearning has produced, but forward to what really good elearning *can* or *will* produce, in all of its effects.

What good is all this to the guy who is trying to justify a future investment in elearning, or defend his decision to invest in elearning last year? Simply this: Elearning will, by its nature, produce good, provable ROI when it comes to cost savings, but it's that pesky results test that muddles up the water. Clean that up a little with solid creative design, and you are a winner.

If the results part of the equation is fixed through good design, elearning can be an extremely valuable tool, an essential part of a balanced and blended learning curriculum. It isn't the be-all and end-all of training; never will be. But use it for its strengths as part of a blended solution where paper, PowerPoint and classrooms are used for their strengths, and you definitely will see positive results.

When it all gets sorted out, the impact of the Internet on training will be a new chapter in the book on training. The evolution towards perfection is a movie, not a snapshot, and the guy hasn't gotten the girl back, yet. Conventional ROI has a tendency to freeze the immediate. And that's not fair.