

# THE BUSINESS CASE FOR ELEARNING: HOW ONLINE LEARNING CAN IMPROVE YOUR TRAINING'S ROI

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# THE BUSINESS CASE FOR ELEARNING

## INTRODUCTION

When there are cuts to be made in the business world, the training budget is often the first on the chopping block. Whilst decision makers sharpen their knives, Learning & Development professionals are left to fight their corner. Training programmes are now expected to deliver the same results at a fraction of the price. This has left the door open for eLearning to make its grand entrance.

There is a mass of literature which provides evidence to suggest that eLearning is just as effective (and in many cases more effective) at imparting knowledge as traditional classroom learning. Our aim is to amass all the research and information available into a forceful, undeniable nugget of eLearning enticement. This is the business case for eLearning.

To do this we will show that online learning can be utilised to maximise return on investment (ROI) in organisational training. How does it pull off this miraculous feat? By providing a:

- Highly effective method of imparting information.
- Financially friendly alternative to the classroom.
- Knowledge share for your team.

As companies attempt to survive in the knowledge and information age, the importance of intellectual capital only continues to grow. Organisations often speak of the value of human capital – the combined human capacity to use skills, know-how and expertise to meet a wide variety of business needs and problems. Boil any business down to its basics and all you are left with is its people. Yet many organisations fail to invest enough in their staff.

*'...Another reason why our human capital is so important is intensifying competition... our ability to develop productive relationships with these resource holders, and thus to win important business opportunities, is rooted in our technical knowhow. That's one reason why we have maintained heavy investment in research and development and specialists skills in recent years.'* (Hugh Mitchell, Chief Human Resources at Shell)

## ELEARNING ACCEPTANCE

So what is the solution for those looking to prove their dedication to the development of their workforce and organisational growth? The ordinary response is 'training'. We would like to clarify that further – what is important here is not just delivering training; it is delivering the right kind of training. Training that engages, stimulates and most importantly: sticks.

Adopting a classroom training approach because it is the traditional method is akin to sending an important message by snail mail instead of via email, or carrying your CD collection wherever you go because you refuse to upload it to your iPod. It may fill you with a hearty sense of nostalgia, but it's also wholly inefficient.

eLearning has earned widespread acceptance throughout the corporate world and the number of companies willing to invest in an online learning programme continues to grow on a yearly basis. In 2009, **39%** of those surveyed said they had used eLearning (up **11%** from the previous year). This number is only likely to increase as big companies continue to embrace the online learning revolution (DestinationCRM.com).

As Generation Y and Z members take up more roles in the working world, the level of technological comfort has increased. We now spend 36.5 hours a week on the internet. It is fair to say that we know our way around a computer. eLearning is no longer the girl that you are too afraid to ask out on a date. She is the girl you take home to meet your mother with a worldly sense of pride. In today's wired world workforces are not only ready to take their learning experience online – many of them actually expect to.

eLearning has cast off any stigma it may have once had and thrust itself into the corporate mainstream. There is a good reason for the prominence of eLearning: it just makes good business sense. Over the course of this research paper, we aim to show that eLearning can provide your L&D campaigns with considerable return on investment (ROI).

But before we start churning out the facts and stats, we would first like to note something of great importance. Just like classroom training, eLearning requires engagement at every level of the process. From upper management down to the learners themselves – there has to be some kind of engagement strategy in place. Without this, your training programme is doomed to failure. Your training's ROI is this often reliant on the amount of effort you put into effectively engaging your staff with their own self-development.

An eLearning approach can save you a lot of money – but only if you enter into it with the right attitude.

We will return to this point later. Let us first look at the ways eLearning can help bolster your ROI.

## CALCULATING ROI

With L&D professionals being forced to do more with less, it's essential that their training programmes present a healthy ROI. Whilst there are numerous ways of calculating ROI, it is mostly a matter of comparing the benefits of the training against the investment placed within the training initiative. As with most things in life, when the benefits outweigh the costs, you are onto a winner.

### **Benefits/Costs x 100 = Percentage ROI**

Anything less than a 100% ROI would represent a loss on investment and would (in most cases) be considered a failure. If Sally spent £200,000 on her training campaign, which delivered organisational benefits equivalent to £450,000 then she has delivered a 225% ROI – a rousing success.

Costs are usually fairly easy to determine. General considerations may include (but are not limited to): the cost of development, the cost of delivery (through a Learning Management System or Academy Platform) and administration costs. Calculating the benefits may not always be so easy. How do you quantify all benefits in monetary terms? For instance – can you put a price on your company's intellectual capital?

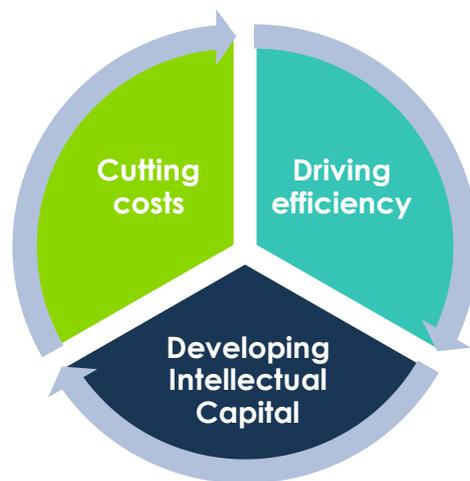
In some fields, you may also be able to calculate whether any additional revenue was generated as a result of training. Perhaps your sales force has undergone training to help them handle objections better and this in turn has helped them to close more sales. In monetary terms, how has this impacted on the organisation? Is the sales team closing deals

quicker before moving on to the next customer? What is the benefit of this to your organisation and can you state this in monetary terms?

Calculating a precise ROI is often an impossible task. That being said, thanks to the benchmarking processes involved in eLearning, it is considerably easier to calculate your training regime's ROI in contrast to classroom training. Thanks to the pre- and post-test knowledge checks, you are able to monitor the growth of your workforce and then apply your own value to it. Using the Kirkpatrick model of training evaluation and applying sensible monetary values to all benefits linked to the training regime, you can make a good stab at producing an accurate figure.

## THE BUSINESS BENEFITS OF ELEARNING

As we see it, an eLearning approach delivers benefits in three major areas as demonstrated in the diagram below. Some of these benefits and sub-benefits are provided through classroom training though many are not. All three benefits are linked in the following manner:



Evaluating these three benefits and applying monetary terms to them are key to establishing your ROI. Let's take a look at each benefit on a one-by-one basis.

## USING ELEARNING TO CUT COSTS

Most organisations implement eLearning within their business to cut costs. Whilst there are heaps of sensible reasons to take your training experience out of the classroom (or implement a blended learning approach), budgetary restrictions often act as the catalyst for taking the plunge into eLearning's inviting waters.

It's true that eLearning can cut costs in just about every area of the training budget. There is no need to pay for travel or finding accommodation for your workforce. All you need is internet access. This flexible approach allows learners to work towards their self-development at their convenience. Learning can now take place during lunch breaks and in PJs just before bed. eLearning saves you money by increasing the number of home workers.

Because eLearning is considerably quicker and more effective than the classroom alternative, you will save a significant sum when it comes to opportunity costs. Induction times will be quicker and downtime amongst your staff will decrease to a minimum. eLearning saves money by ensuring that staff are away from work for the smallest period of time possible.

There is no need to book venues or hire instructors and you no longer need to supply your team with lunch. All these incidentals have been wiped from the board.

Let's take a look at some examples of how eLearning has been used to cut costs.

- Growth Engineering recently helped **Bensons for Beds** roll out Bensons Academy. The aim was to improve staff performance, remove costs and raise staff engagement. Through the Academy, Bensons were able to communicate their future direction to every member of staff (1,500+) and help their team to develop a more effective sales process. The Academy was a rousing success and saved Bensons **£500,000** in training costs.
- When **Dow Chemical** switched to an eLearning approach, they cut their average spending per learner by \$84 to just \$11. In total, this saved them **\$34m** (Shepherd, 2002).
- Since 2001, **BT** have utilised eLearning to make 1,700 courses available to their staff. This has saved them upwards of **£12m** (Computing.co.uk, 2005).
- Looking to save money on their training budget and push the benefits on their customers, **Nortel** adopted an eLearning training programme. Nortel estimates that North American customers saved **\$7.7 m** between 2005 and 2006 thanks to their new learning approach (Bersin, 2007).

These are clear cases of organisations using eLearning to cut costs and secure substantial ROI on their training spending. It has been estimated that, 'companies... experience a 40-60% cost savings when comparing instructor-led courses with technology-delivered courses' (GeoLearning, 2003).

However, there is more to eLearning than delivering financial results.

## USING EARNING TO DRIVE EFFICIENCY

*'The study's major significance lies in demonstrating that online learning today is not just better than nothing – it actually tends to be better than conventional instruction.'* (Barbara Means, International Department of Education Report)

eLearning has evolved into a remarkably efficient and sophisticated form of training delivery. Yet it's often difficult to quantify this benefit in monetary terms. For those struggling to formalise their ROI calculations, Donald Kirkpatrick may be able to help. Since its first appearance in 1976, Kirkpatrick's training evaluation process has grown substantially in stature. He holds that the evaluation process is divided into four levels: Reaction, Learning, Behavioural impact and Results. Analysing all four levels can help you apply a monetary value to the efficiency of your training campaign and deduce your ROI.

**Level 1: Reaction - User response**

**Level 2: Learning - Knowledge & skills transference**

**Level 3: Behavioural - Application of knowledge**

**Level 4: Results - Organisational improvement**

**Reaction** refers to the response from those who took the eLearning. Was the learning experience a positive one? Are they awaiting their next online learning session with baited breath? Have any issues or concerns risen to the surface? Was the programme as a whole embraced? Analysis of this feedback can tell you the levels of eLearning acceptance amongst a workforce, or whether they thought the content was relevant to their job. It cannot tell you, however, whether the training actually worked.

The **Learning** level of evaluation is relatively self-explanatory. By comparing the pre- and post-test assessments, you should be able to see a clear positive development path throughout your workforce. This can also help you to determine whether they have picked up the knowledge or skills that the training was supposed to communicate. There are obvious limitations here. You are offered only a snapshot of the current developmental state of the workforce. There's no way of knowing whether the training has inspired users to continue their progression on the job or whether the learning process will trail off once training is complete.

That is why it is important to monitor **Behavioural** change following training. In most cases once the learner is released back into their work environment, the evaluation is complete. If you want to determine a training regime's ROI accurately, it is important that precise behavioural data is supplied and then qualified in monetary terms.

Has your workforce adopted a new skillset and are they utilising it at the right moments? Are they responding to scenarios and situations in the manner the training suggested? This kind of data can be collated through observation, interview and follow-up assessments. It is then up to you to boil this data down into monetary terms that can be fed into the ROI calculation.

Finally we reach the **Results** strand of the evaluatory process. This seeks to establish the level of improvement that training has engendered throughout the organisation. Did the training resolve in organisational growth?

When calculating the ROI on an eLearning training program you have to balance all these different levels of evaluation. Here are just a few success stories where eLearning has proven to be uniquely affective:

- **Spicers** are Europe's leading wholesaler of office products. They rely on a network of 2,500 geographically displaced independent office dealers. Growth Engineering helped to roll out an Academy Platform LMS for Spicers and their dealer chums. The goal: up-skilling Spicers' channel partners and imparting a more effective approach to sales strategy. The Academy was a success. Tests showed that staff possessed an average **24.7%** increase in sales knowledge. This in turn transferred into a **28%** increase in the conversion ratio of prospects to customers.
- **BUPA** have estimated that adopting the use of eLearning has reduced training time by **40%** (elearnity.com)
- **BT's** eLearning consultant Christina Humphrey Evans claims: 'We have found that eLearning saves people time, saves BT money and makes us a more efficient organisation. What would have taken at least 18 months to deliver using traditional methods saw 20,000 staff trained in just **12 weeks**' (Computing.co.uk, 2005)
- In 2009, a study of a number of prominent European organisations demonstrated that between them 30,000 hours of instructor-led training had been reduced into less than 700 hours of eLearning. That is an incredible **76%** reduction! (Ezine, 2009)

These studies make it quite clear that classroom led training is no longer the most effective means for imparting new skills and information to a workforce. As we will see in the next section eLearning's scope can also introduce new opportunities to build upon your ROI.

## USING EARNING TO DEVELOP INTELLECTUAL CAPITAL

As the importance of intellectual capital continues to grow, so too will the need for knowledge management. With the brutal sense of competition currently spreading through the business landscape, easy access to job-relevant knowledge has become a means for increasing chances of survival. The right information stored in the right place could enable a member of your sales team to deliver a perfect sales presentation. It could also enable your workforce to adapt seamlessly around new technology. eLearning does more than simply dispense training – it affords knowledge-hungry workforces access to important information and a variety of reference materials. It is also an opportunity for a workforce to share their expertise and nurture communities of knowledge.

The benefits of knowledge sharing are numerous:

- Encouraging innovation by promoting the articulation of ideas.
- The communication of company values and a vision for the future.
- Fostering a better understanding of market positioning and the customer base.
- Improving customer service.
- Streamlining operations, expanding skillsets and enhancing revenues.
- Affording recognition and value to employee knowledge.

The need for a connected, systematic approach to organisational knowledge should be a major area of concern for any forward thinking business. eLearning and knowledge management are fast friends. Both attempt to improve individual, team and organisational performance by disseminating knowledge. Taking advantage of the potential for an LMS (Learning Management System) to act as a knowledge share is a great opportunity to boost the ROI of your training campaign.

A study involving 182 sales teams seeking to attract new client contracts within a management consulting company, found that the teams that utilised advice and expertise from their workmates produced higher quality work and finalised more contracts than those that did not (Martine Haas, M. T. Hansen, 2007).

Creating a culture where knowledge sharing is the norm is not easy. Knowledge is often stored at an individual level as employees try to engineer personal advantage. A bright salesperson may not wish to share his winning techniques for fear that they will drop down the rankings and no longer be considered top dog. Unless a collaborative culture is encouraged, an effective knowledge share may well be an unachievable goal.

But what better place to encourage knowledge transferal than through a Learning Management System? It is a great place for workmates to talk about their experiences, log effective practices and offer tips to their colleagues. The social learning potential of eLearning offers personal recognition to those who are good at their jobs and willing to offer their expertise. An LMS grants your workforce a voice and a chance for self-expression. What's more, adopting a system that rewards users for sharing can provide ample motivation for individuals to disseminate their knowledge.

Whilst it is possible to share experiences in the classroom, eLearning offers a knowledge share on a much grander scale. It is a fantastic opportunity to grow your ROI over time and build upon what is already a cost-effective and efficient training campaign.

## ADOPTING AN ENGAGEMENT STRATEGY TO RAISE ROI

Whilst setting aside funds for training is a good start, organisational growth takes a much larger commitment. If eLearning is to be successful, it needs to be embraced at every level – from the higher-ups down to the workforce who are subject to the training. Many Learning Management System implementations fall at the first hurdle because L&D professionals fail to provide any real engagement strategy. If you fail to get your workforce engaged in their own development, you cannot expect your training campaign to be a success.

You wouldn't sign up for a gym membership if you weren't prepared to put in the time and effort it takes to get fit, lose weight, or bolster your biceps. Training is no different. If you're not prepared to flex your engagement muscle, there's little point of initiating the campaign in the first place.

Of course, support at every level depends on the quality of eLearning material presented. If the content is smart, relevant and informative, it is generally going to capture the imagination of learners. However, much more can be done to manipulate user engagement throughout eLearning campaigns. It is up to those in positions of leadership to develop an enticing engagement strategy by:

- Motivating staff to want to learn and offering a reward for doing so.
- Outlining and advertising the benefits of the training.
- Providing a clear, consistent message.

The diagram below details how we view engagement strategy. It starts with the creation of engaging learning content that is supported by L&D Professionals who then provide the engagement strategy for their workforce.



The key to engagement is providing an emotional hook. Effective learning revolves around the manipulation of our emotions. Gamification – the process of applying game mechanics to non-gaming environments is a great tool for gripping learners emotionally. By adopting game mechanics like badges, awards and leadership boards, you are adding an entirely new level of involvement.

These trinkets satisfy our basic human need for reward. They act as markers of our hard work. Upon collection, something in our brain says, 'I like this and I want more' and compels us to continue. Gamification is just one of our methods for creating user engagement. It is more than just a passing fad. According to a prominent Technology Research company, 'Gamification will be a key trend that every CIO, IT planner and enterprise architect must be aware of as it relates to business' (Garter Group, 2010).

Engaging your workforce during a training campaign is one means for ensuring that it earns the maximum ROI on investment possible. By failing to get your team gripped, you are committing yourself to earning only the minimum level of return on your investment.

Growth Engineering seek to raise user engagement through gamification and social learning. But our unique design methodology The Discovery Method can also raise levels of engagement throughout a workforce.

## HOW THE DISCOVERY METHOD CAN INCREASE ROI

Albert Einstein once said, 'the only source of knowledge is experience'. We have taken that thesis and run with it. The Discovery Method bridges the divide between knowledge, practise and experience. Whilst we are quoting some of history's great minds, how about this from Aristotle, 'For the things we have to learn before we can do them, we learn by doing them'. Our unique design methodology The Discovery Method puts you and your experiences at the centre of the learning process. Not only is it highly effective, it's also an entertaining journey.

In 2010, Russell Poldrack a University of Texas psychologist published a report that looked to establish the best means 'for effective studying'. He found that if the pattern of activity present in the learner's brain is the same each time they study that information, it is more likely to 'stick'. In other words, we learn new information quicker the more we relate them to existing concepts within the mind. (Russell Poldrack, *Science*, 2010)

The Discovery Method is moulded upon this psychological insight. It draws from concepts already located within your brain (your work place experiences) and challenges you to derive fresh information from them. You are not dealing with new, hard to grasps concepts – all the information you need is already present in your head. You just need to unlock it.

The Discovery Method asks you to take work-place examples and analyse and reflect upon them. In essence, you are using these familiar starting points to begin a voyage of discovery. It then uses role-playing situations and scenarios to grant the learner an opportunity to establish right-behaviours and attitudes. It forces students to break down their experiences and define what worked and what did not work.

We do not ask you to read through reams of text and memorise answers – after all, it has been found that 'Elements such as video or online quizzes do not appear to influence the amount that students learn in online classes.' (Barbara Means, International Department of Education Report) The Discovery Method instead uses your own experiences to determine an effective learning environment.

Yes, eLearning needs assessment sections that measure your development. But the real focus is on giving you an opportunity to apply your knowledge to real world contexts. To draw from your own unique perspective and put you in the position where you need to use your nous to

work towards a happy conclusion. We do not like to ask 'What should you do?' We prefer to ask: 'What would you do?' This subtle change makes all the difference.

Here are some interesting figures: Learners retain approximately...

- 75% of what they learn when they practice what they learned.
- 50% of what they learn when engaged in a group discussion.
- 30% of what they learn when they see a demonstration.
- 20% of what they learn from audio-visual.
- 10% of what they learn when they've learned from reading.
- 5% of what they learn when they've learned from lecture.'

(psychotactics.com)

As you can see, the more active an individual is in their learning, the more likely it is to stick. All too often, the places where the biggest emphasis is placed on the acquisition of knowledge through structured learning are not the kind of places where you get to put this knowledge to good use. In the classroom, you are usually asked to soak up information passively – paying little attention to any real life application that it may have. Indeed, the only time this knowledge gets applied is when you're forced to recall it in order to pass an assessment or exam.

Have you ever sat through a lecture or a classroom training session and wondered what you were doing there? You can often get the feeling that you would have benefited equally simply by getting hold of a copy of the lecture notes or finding the curriculum online. Simply restating information that is already available in other literature is not the most effective way of learning and it certainly does not help present learning as a particularly attractive or inspirational activity.

There are also numerous studies (Cavus et al. 2007; Dinov, Sanchez and Christou 2008; Gao and Lehman 2003; Zhang 2005) that offer evidence supporting the hypothesis that the more control a learner has over his learning process and the more active they are (through either active or interactive learning experiences in our conceptual framework) the larger the learning gains. 'Studies indicate that manipulations that trigger learner activity or learner reflection and self-monitoring of understanding are effective when students pursue online learning as individuals.' (Barbara Means, International Department of Education Report)

Consider this. How long would you stick by a removals company that lost 80% of your goods whilst in transport? Would you keep going back and forth, spending more money to make sure you were able to transport everything you need? Or would you look for a more effective method?

The answer is obvious – you would look for a different means of getting the job done. Why should it be different in the training environment?

In the training world, classroom learning is predominantly made up of lectures, reading, and some audio-visual content. It may also present students with demonstrations and the occasional group discussion (though time limitations often curtail this). It rarely ever gives students an opportunity to 'practise' right behaviours. In essence, those who undergo classroom training will be lucky to retain 30% of what they have learned. On the other hand, those who put what they have learned into practise – as the Discovery Method demands – will retain a lot more information.

The use of role-plays and simulations has also been shown to boost learning performance. In 2008, a study was produced that detailed the impact simulations within a web-based environment had on knowledge retention. The findings proved that 'computer based simulations' helped to aid the 'learner's performance' and improve 'knowledge gain when compared with online instruction with no simulation' (Castaneda, 2008).

There may be some who remain unconvinced. Old methods of learning and knowledge retention have worked up until now, so why change things? Business training campaigns have been successful without embracing a learning methodology that puts practise front-and-centre. It's worth questioning, however, exactly how successful these campaigns have been. What level of knowledge retention was achieved? Was the ROI lower than training campaigns that have adopted a more forward thinking learning methodology?

The answer, in most cases will surely be 'Yes'.

## CONCLUSION

The business case for eLearning is crystal clear. It's a three-pronged attack on those naysayers who remain disenchanted by the power of modern technology to provide an inspirational platform for learning and self-development. It's cheaper, more effective and broader in scope than its classroom equivalent. Throughout the numerous reports that detail eLearning's rise to prominence a noticeable through line can be deduced: *this is a powerful tool that can be used to engineer impressive results at a fraction of the cost commonly associated with training.*

As a tool for improving your organisation's ROI when it comes to training – it's unparalleled. There are a wealth of case studies out there that prove just how effective it can be. Furthermore, it comes replete with staying power. Learning Management Systems can act as knowledge shares and offer your team an opportunity to prove their expertise and provide an outlet for self-expression.

As with any training campaign, it's reliant on engagement at each and every level. The top brass need to embrace it as much as the workforce and there needs to be a clear strategy in place to ensure that the training delivers the maximum ROI possible. Even here, eLearning holds an advantage over its classroom alternative. The seamless integration of social learning and gamification into the world of online learning offers endless opportunities for raising engagement and powering an effective training programme.

Finally, there's Growth Engineering's unique learning methodology, The Discovery Method. By adopting this approach, online learners can enjoy levels of interactivity and involvement that just can't be matched in the classroom.

So not only is our eLearning cost-effective and remarkably efficient, it is good fun too.