SUPPLIERS

formerly Supplier Savvy

By (clockwise)
Dave Egan,
Diane Hessan,
Craig R. Taylor,
and Jack Zenger

It's time to push e-learning and e-learning ROI up to the CEO level as a business investment versus a cost center. The new reality is that learning isn't optional.

For years, many organizations viewed training as a dispensable cost that always fell victim to timing conflicts, budget cutbacks, and shuffling of managers' priority du jour. But today's forward-thinking companies correlate smarter, better trained employees with a more effective, competitive organization. Companies that invest in clearly defined, well-executed learning programs and that have a culture that values learning see positive effects in critical performance areas such as lower employee turnover and production waste, faster product development, and greater customer satisfaction.

Companies move at the speed of many skilled employees or a few experts. Renowned business leaders from Gates to Drucker to Senge have argued that skilled, knowledgeable employees—intellectual capital—are a company's *only* truly sustainable differentiation.

E-learning ROI rule 1: *E* is for effectiveness. Discounting the early hype that e-learning would make obsolete all previous formats of learning tools and approaches (it didn't and won't), there's compelling evidence that connecting learning to the Web has created some significant efficiencies. According to various studies, it requires 25 to 60 percent less time to convey the same amount of learning online rather than in a classroom setting. E-learning also offers instant scalability: More employees can be trained in a shorter time, anywhere. Example: One of our clients used an e-learning approach to train several thousand employees about a newly critical security requirement and did it in two weeks. That accomplishment would be impossible in the traditional, non-Web training world. Online course development is often more expensive, but delivery via Web is cheaper and limitless in its reusability.

Organizations can use the Web to get learning to employees, channel partners, and customers sooner. Online learning also can be an effective tool in hiring and training new employees by shortening the learning timeline and by administering pre-hire tests for critical skills or to match criteria between jobs and job seekers.

There's a strong argument for the long-term value of e-learning to a company and as the right thing to do for its employees. But altruism alone won't win the vote of leadership. ROI for learning, as for any other investment, is defined by increased revenue and reduced costs. When well defined and well executed, e-learning programs *can* show tangible, measurable proof of value in improved employee performance and dramatic cost reductions in getting learning to learners.

For example, a large multinational, high-technology manufacturer recently acquired another large company in its space. The first company had funded US$300,000 and a small team for enterprise workforce development but spent nearly *$300 million* for learning and development through a vast array of decentralized business units. Under a new centralized and reorganized learning model, including e-learning and an enterprise-wide learning management infrastructure, the company now funds $200 million to accomplish the same learning and development goals—for a savings, or effective ROI for its e-learning investment, of $100 million. The newly acquired company previously had a "pay as you go" funding model for learning and development, which essentially budgeted $0. But that company *actually* spent up to $200 million a year in a similarly decentralized approach. The now-combined firms will invest $300 million towards accomplishing the same learning and development goals—for another savings, or additional ROI, of $100 million.

The scale and caliber of those sorts of near-term savings offer a compelling ROI argument that any C-suite denizen (chief executive, CFO, CIO) can appreciate. Many of the savings may be viewed as once-only; once you've used an e-learning approach to save travel costs and out-of-work losses during the first year, you might not be able to take credit for those cost-avoidance savings in future years. But such inarguable savings earn tremendous credibility for e-learning as a business tool and will likely empower longer-term programs that focus on value-creation ROI with such measurable financial benefits as lower employee turnover, higher certification scores, and shorter product development cycles and that are directly attributable to the technology and process investments that create smarter, better skilled employees. **Dave Egan**

E-learning efforts often point to and are sold on their value in saving money—less travel and so on—but that argument could affect long-term ROI strategies. Saving money is important, particularly in tough times, but always playing the savings card can box in your broader e-learning plans. As Egan points out, value-creation ROI is the future. It's important to focus on the growth side of the business by increasing sales, improving productivity and customer retention, and similar key business metrics that are more compelling to executives in the long-run than saving costs.

Content plays a central role in gaining financial and political support for developing, launching, and sustaining e-learning initiatives. It's well understood that the quality of content—and, most important, its relevance to specific business issues—will help win C-level support. New product launches, for example, are quickly gaining the attention of e-learning teams in efforts to speed time-to-market, ensure product knowledge, and gain competitive positioning—all of which can improve financial results and market share.

Online employee orientation programs are another area gaining wide acceptance. Here's a place in which the cost-savings justification is less compelling than the value of a shortened time-to-productivity curve for a new employee. Think of it as taking a business growth perspective instead of a cost-savings and fewer resources view. Over time, focusing on content that has business growth and improvement outcomes will better establish e-learning as a business-critical function and key area to continue investing in. **Craig Taylor**

Great organizations are getting extraordinary results with ordinary people, but that doesn't happen by accident. It comes from a combination of effective management practices and a workforce in which management has invested time and dollars to develop their skills, understanding of the business, and attitudes towards their work.

Hordes of executives have been skeptical about investments in learning and development. Why, and was that doubt justified? My answer is simple: Their attitudes were often justified because the training and development being offered didn't accomplish what it promised to accomplish, and few suppliers of learning and development could provide evidence of results. That applies to early versions of e-learning—programmed instruction and computer-based training. E-learning was in its infancy and in no position to prove its worth.

But that was then, and this is now. The quality of e-learning offerings has escalated. It's now possible to point to clear evidence of learning and changed behavior. Because of that maturation and the ability to measure results, we now have the reasons (and I hope the courage) to insist that executives see e-learning investment as an important business decision measured with the same yardstick used for every important business issue. As e-learning has evolved, its efficiency and cost-effectiveness have also escalated. Significantly reduced costs and streamlining of content are compelling points in the conversation with executives. **Jack Zenger**

In its infancy, the promise of e-learning was its cost-effectiveness. The notion that you could learn at your desk without having to travel to a classroom was seductive. So, many experts predicted the demise of the classroom and a fast conversion of learning to the easier, less expensive arena. In hindsight, we learned that learning is very much a social process and that people perceive more value if it's interactive and, at least in part, face-to-face. If the equation were What You Get divided by What You Pay For (the denominator), the cost savings weren't compelling.

Instead, the business case for e-learning is more in the numerator: What You Get Over the Web that you can't replicate in a classroom. There are enormous benefits of learning over the Web—such as the ability to pick and chose learning objects (learn just what you need to know); instant access to knowledge and skill building when you need it (as opposed to when it's scheduled); and the ability to use e-learning to turn a training event into a more systematic learning process.

At the executive level, investing in learning is increasingly perceived as a great thing to do. I don't think that's because of some complex ROI formula, but rather because it has so much face value. In the end, an organization's ability to be successful comes down to its people—what they know and what they do with what they know. Having skilled and fully capable people who know how to get the skills and knowledge quickly that they need is an enormous competitive advantage. **Diane Hessan**

Dave Egan *is co-founder of THINQ Learning Solutions;* **Diane Hessan** *is CEO of Communispace Corporation;* **Craig R. Taylor** *is senior VP of marketing and business development at TalentKeepers;* **Jack Zenger** *is president and CEO of Provant.*