

Calculating Your Return on Investment with a Learning Insights Solution

Executive Summary

To remain competitive, expand into new markets, meet new challenges, and grow their revenue, companies need to provide employees with the necessary knowledge and skills to perform their jobs better and more efficiently. A knowledge-based workforce is more productive and has the ability to solve problems quickly, which contributes to your company's bottom line.

Although any learning solution may appear costly, it brings lasting returns to your organization in the form of increased revenue, increased cost savings, and a more productive and efficient workforce. For example, an organization that offers its workforce a Learning Insights e-learning solution – in conjunction with traditional, instructor-based training – can reduce the time their employees spend off-site, minimize travel-related costs, and bring new employees up-to-speed more quickly.

At the same time, because a Learning Insights e-learning solution enables employees to learn at their own pace and uses context-appropriate storytelling to teach, employees retain the knowledge. More-consistent teaching, accessible and current resources, and flexible, learner-centric approaches to learning are just a few of the “soft” benefits e-learning from Learning Insights provides clients.

By combining Learning Insights e-learning's hard cost and revenue benefits with its soft benefits, the expected return on e-learning is potentially great for organizations. This paper provides a tool to estimate the return on investment that you may experience with a Learning Insights e-learning solution.



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Introduction

If the 1980's and '90's were the Information Age, then the start of the 21st century represents the Knowledge Age. To remain competitive and take advantage of new market opportunities, you need to provide the appropriate knowledge and skills to your employees. A knowledgeable workforce with the necessary skills can raise your bottom line and reduce your operating costs through better productivity and the ability to quickly resolve problems.

E-learning from Learning Insights – by itself or in combination with traditional, instructor-led courses – can provide your employees with the knowledge and skills they need to succeed. Many companies are adopting e-learning solutions to complement their traditional, instructor-led courses. The key factors driving organizations to adopt e-learning solutions are:

- **Shortage of properly skilled employees**
A trend across the business cycle is the persistent shortage of properly skilled employees. A Learning Insights solution can help you increase employee productivity.
- **Shortage of Time for Training**
Today's knowledge workforce has to fit training within their busy schedules. E-learning from Learning Insights is accessible via a Web browser and PC and is available 24/7.
- **Globalization of economy**
Today's global economy demands a flexible program to address cultural differences and multiple time zones. Learning Insights can tailor courses to meet training needs that are specific to business units and geographic / cultural differences.

As you look to e-learning as a complement to traditional training, it is important to base your conclusions on a *quantifiable, reliable, and compelling* estimate of the return on investment (ROI). We designed this paper to help you determine an estimated ROI using a Learning Insights solution.

Determining Critical Components of ROI

An ROI calculates how a company stands to benefit in terms of the payback for an investment: Revenue earned plus costs saved, minus the cost of the actual investment. To determine a credible ROI, it is important to first ascertain the hard and soft benefits a Learning Insights solution brings to you. This paper provides a specific model for recognizing and quantifying these benefits, which include:

- Hard cost benefits
- Hard revenue benefits
- Soft benefits

Hard Cost Benefits

The hard cost benefits of an e-learning solution from Learning Insights include *measurable* short-term and long-term cost savings, represented by the following:

- **Minimize travel and lodging costs**
With a Learning Insights e-learning solution, your employees do not have to leave their workstations to learn; they can take courses in their office – or at home – using a PC and Web browser. You can potentially achieve much of your return savings by reducing – or eliminating – costs associated with travel, lodging, transportation, lost productivity, and facilities rental.
- **Train more employees more efficiently**
A Learning Insights solution is administered via a centralized Web site, reducing the time required to train an entire group of learners.
- **Update existing content easily and cost-effectively**
Because Learning Insights' e-learning solution is Web-based, it's much easier and

more cost-effective to keep content current – or tailor it for specific organizations, or if the legal environment changes – than print-based materials and CD-ROM-based training.

- **Reduce administrative costs through immediate and comprehensive administrative reporting**

Using a Learning Insights e-learning solution, you can minimize administrative costs by tracking your employees' learning experience, and generate reports in a wide variety of formats. Management can quickly and efficiently access "proof of training" information.

Hard Revenue Benefits

The following represents measurable quantities that contribute to revenue growth, such as increased worker productivity, and shorter product development cycle:

- **Increase revenue by reducing employees' time away from office**

Learning Insights' e-learning solution can help you grow revenue. Because employees can learn at their desk (or anytime they wish, using a Web browser and PC), they can reduce – or eliminate – the amount of time they have to spend at multi-day, off-site training events.

- **Raise bottom line through more efficient workforce**

With Learning Insights' effective online courses, your employees can perform better at their jobs. For instance, a manager can analyze a competitor's actions and formulate a strategic response; new hires and managers can better understand their companies risks and learn to manage them. Further, when your employees are well grounded in current legal issues (e.g., sexual harassment awareness, pricing restrictions), your company can avoid legal liabilities (lawsuits) and heavy fines.

- **Bring new employees up-to-speed quickly**

Learning Insights' courses are always available online so new employees can receive pertinent skills and knowledge on their first day, instead of having to wait for availability of new materials, instructor availability, and/or a group large enough to train. Studies show employees trained from the beginning ramp up their productivity quickly and thus bring more to the company's bottom line.

Soft, Differentiating Benefits

Soft benefits are not easily quantifiable, but nonetheless help your employees perform better at their jobs, and are represented by the following:

- **Eliminate missed knowledge through consistent learning experience**

Instructor-led training often leads to an inconsistent learning experience for your employees. For example, the quality of training can vary greatly between instructors, and is influenced by an instructor's mood. Moreover, learners pick up different teaching points from the same instructor. Learning Insight's courses deliver the same content to each learner in a uniform, consistent manner.

- **Increase absorption and retention of information**

Learning Insights' proprietary instructional design model employs a variety of methods to maximize the learner's retention of information. These methods include engaging storytelling (i.e., using realistic business examples and case studies), just-in-time information, interactive learn-by-doing exercises, and context-sensitive tutoring.

- **Keep employees up-to-date with knowledge support tools**

Learning for your employees doesn't end when the course ends. Because a Learning Insights e-learning course is always available on the Web, a learner can use previous courses as a reference tool while at work or away from the office.

Calculating ROI

The calculators and ROI formula in this section are designed to help you better understand how you can gain both financial and market advantages by implementing a Learning Insights solution.

Assumptions

It is advisable to complete the worksheet below with the assistance of a Learning Insights representative.

Before you calculate your ROI, you should calculate the hard cost assumptions for an e-learning solution. While this analysis may not be precise, it should help you determine a reasonable estimate on how fast you can expect to achieve your ROI.

Hard Savings from an E-Learning Investment

By answering the questions below, you can see how much you save by relying less on traditional, instructor-led training. The questions below illustrate how much traditional training would cost you.

Questions	Costs
1. On average, how many employees would you train during a single instructor-led course? This should be all employees who take a single instructor-led course (even if the course is a multi-day course) _____	
2. What is the average cost of a learner traveling to and from a course location? For interstate travels, assume an average \$800/round-trip ticket. <i>Answer to Question 1 * \$800 = Answer in Costs column</i>	\$
3. What is the average variable cost of a learner to stay at an off-site course location? a. For interstate travels, assume \$100/night for lodging, \$100/day for transportation, and \$75/day for meals <i>Answer to Question 1 * \$275 = \$ _____</i> b. On average, how many days is a training course? _____ c. Multiply Question 3a and 3b for a total of variable costs per learner for off-site training. Place answer in Costs column.	\$
4. What is the average cost of duplication and distribution of your course materials for one course for a single learner? \$ _____ <i>Answer to Question 1 * Cost of duplication = Answer in Cost Column</i>	\$
5. What is the average cost to hire a professional trainer (staff or consultant)? Assume the professional trainer lives and works in the off-site location, so there are no transportation or lodging costs. a. On average, how many trainers do you hire for a single course? _____ b. What is the daily wage of a professional trainer per day? \$ _____ c. On average, how many days is a training course? _____ Should be the same answer for 3b. d. Multiply 5a and 5b to calculate a total amount of spending for trainers/day. Multiply this total by 5c to calculate a total amount for hiring professional trainers. Place answer in Costs column.	\$
6. On average, how much daily revenue is assigned to each employee? This translates into how much potential lost revenue you will experience when an employee is off-site for training? <i>Average revenue earned/employee * number of days off-site = Place answer in Costs column</i>	\$
7. This is the total amount spent on training a group of employees for a single course. [Line 1 X (Lines 2+3+4+6)] + Line 5.	\$
8. Multiply amount in Question 7 by the number of times you would have to repeat this course to train all of your employees. This is the total amount spent on training all employees for a single course.	\$

Hard Revenue Benefits for an E-Learning Investment

By investing in a Learning Insights e-learning solution, you not only help give your employees the knowledge and skills they need to be more productive and generate more revenue – you can also *recapture lost revenue* by reducing the number of days employees need to spend at training.

Question 6 in the table, “Hard Savings from an E-Learning Investment” on page 3 asked, on average, how much daily revenue is assigned to each employee. This is important, because each day an employee spends off-site at training translates into lost revenue for your company.

- For example, if daily revenue for a sales person is \$2,000/day, and training lasts 4 days, you lose \$8,000 in revenue from that single employee.
- Multiply \$8,000 by the number of employees in training, and you can see how much revenue you lose by not having your workforce being productive, i.e., 100 employees at training results in \$800,000 in lost revenue.

By blending e-learning and traditional, instructor-led training, you can reduce your lost revenue by minimizing the number of days at training. Calculate your expected revenue benefit by answering the following questions:

Questions	Revenue
1. On average, how many employees would you train during a single instructor-led course? This should be all employees who take a single instructor-led course (even if the course is a multi-day course) _____	
2. Determine average number of days spent on training a single course for a single employee using traditional, instructor-led training. _____	
3. Determine average number of days spent training a single course for a single employee using either a Learning Insights solution by itself, or alongside traditional training. _____	
4. Subtract Question 3 from Question 2 to calculate total number of days <i>saved</i> on a single course to train an employee using a Learning Insights solution. _____	
5. Determine per course daily revenue per employee. \$ _____	
6. To calculate your daily revenue benefit from e-learning, multiply Question 4 with Question 5. \$ _____	
7. Total Revenue Benefit per e-learning course (Line 1 X Line 6)	\$

Hard Costs for an E-Learning Investment

The questions below are for a single e-learning course. How many employees you train and how many courses you offer will affect the outcome of these results:

Questions	Costs
1. On average, how many employees would you train during a single, instructor-led course? This should be the same number as in Question 1 of "Hard Savings from an E-Learning Investment" on page 3. _____	
2. Do these employees currently have access to PCs with Internet access? Yes No <ul style="list-style-type: none"> ▪ If no, what is cost to provide Internet-enabled PCs to employees for a single course? \$_____ <i>Answer to Question 1 * Cost of PC (rental/purchase) = Answer in Cost column</i> 	\$
3. What is the licensing fee for the number of users? \$_____ <i>Number of employees * Cost of a single e-learning course = Answer in Cost Column</i>	\$
4. What is the average annual cost spent per course on professional services for your e-learning solution? This includes assessment fees, installation fees, customization costs, training costs, and other expenses.	\$
5. What is the average annual cost spent per course on maintenance and support services for your e-learning solution?	\$
6. Cost for group of trainees per course. Sum of Questions 1-5	\$

ROI Formula

An ROI is the estimated return (typically after one year) from an e-learning solution minus the investment in the solution itself. To calculate an ROI, four data points are required:

Data Point	Definition
Time Period	Typically one year.
Cost Savings	Sum of savings gained from the Learning Insights solution. See "Hard Savings from an E-Learning Investment."
Revenue Growth	Recaptured lost revenue gained from the Learning Insights solution based on time period and investment. See "Hard Revenue Benefits for an E-Learning Investment."
Investment	Includes s hard costs for e-learning solution, i.e., software licenses, user seat licenses, development time, professional services, maintenance, hardware, training, usability testing, and other associated costs. See "Hard Costs for an E-Learning Investment."

Conclusion

By empowering your workforce with the necessary knowledge and skills, you can help your organization stay competitive, take advantage of new market opportunities, and grow revenue. An e-learning solution from Learning Insights can provide your workforce with the tools they need to be more productive and perform their jobs more efficiently, which means you can achieve a rapid return on your e-learning investment.

An e-learning solution can bring your company hard revenue and cost benefits that boost your company's return, including:

- Minimizing costs for travel, lodging, and transportation, and reducing time away from office for employees
- Training large numbers of employees efficiently and cost-effectively

- Making consistent content accessible 24/7
- Updating content on timely basis
- Reducing administrative costs through reporting capabilities

Plus, e-learning from Learning Insights fosters better absorption and retention of information through engaging storytelling techniques, learn-by-doing exercises, supporting information, and context-sensitive tutoring delivered to the learner consistently. Although these benefits are not easily quantifiable, their influence on your ROI should be taken into consideration.

By combining e-learning's hard cost and revenue benefits with its softer benefits, the expected return on e-learning is potentially great for companies.

About Learning Insights

Founded in 1995 by Matt Feldman and David Hull, Learning Insights tailors engaging and content-rich e-learning solutions to enhance the skills and knowledge of business professionals. We combine our deep business experience, the use of sophisticated instructional design and technology, and a commitment to client service to deliver e-learning solutions that work in the real world.

Through the delivery of world-class products and services, Learning Insights has developed strong and growing relationships with over 200 major corporations and institutions. The principal clients of our company are large, geographically diverse corporations. Ranking among our largest corporate clients are Goldman Sachs, American International Group, ABN AMRO Bank, DuPont, KPMG, Merrill Lynch, Marsh and PricewaterhouseCoopers. We also have important relationships with several leading business schools including the Kellogg School of Management at Northwestern University, and the Olin School of Business at Washington University in St. Louis.

For more information about Learning Insights' solutions, please contact us at 1.888.496.4100 (domestic), 312-431-1500 (international) or visit www.learninginsights.com.