Building a Business Case for E-Learning

E-learning, applied to the right problem in the right way, can deliver enormous efficiency and effectiveness gains to an organization. But how do you justify the initial investment and how do you ensure that learning is aligned with business goals?

In this document we'll look at e-learning from a business manager's perspective, describe some of the ways it can improve your bottom line, and build a compelling business case for the adoption and implementation of e-learning in your organization.

The Business Advantages of E-Learning

Classroom-based (a.k.a. instructor-led) training is still an effective way to teach new skills, particularly those subject areas that involve changes in behavior or complex concepts. But it comes at a high cost in terms of training charges, travel and lodging expenses, and lost employee work time. And the transition from theory to application in the workplace is still not guaranteed.

Meanwhile, computer-based training (CBT) has come a long way since the early days when training packages resembled electronic books. Good CBT is interactive and engages the student. Testing, learning direction and motivating material all improve the educational experience.

E-learning goes one step further and adds human support and interaction between students and instructors through text chat technology, electronic bulletin boards, synchronous content delivery (webcasting) and online tutors or e-coaches, thereby extending the scope of what can be effectively taught into many new subject areas. In addition, more supporting material can be made available by capitalizing on the ease with which Web sites can link to other resources, multimedia, documents and systems.

E-learning can also offer organizations and individuals:
- The convenience of availability 24-hours a day, 7 days a week.
- Just-in-time training opportunities.
- Tremendous cost savings.
- Reduced time away from the job.
- Centralized knowledge management.
- Built-in student enrollment and course management (via learning management systems).

The growth in Internet-delivered learning is driven by both compelling economics and the potential for more effective education. The Internet reduces the cost of learning, both direct and indirect, and increases its relevance and retention. In addition, it enables learning programs to be customized and tailored for individual employees and facilitates knowledge management by providing the means to collect and re-deploy knowledge more efficiently throughout the organization. Whereas employees once had to congregate in one location to receive corporate learning, sometimes flying in from around the country or even the world, corporate learning can now come to them. Anytime, anywhere learning can greatly increase student retention and satisfaction.

However, convincing your senior management team to adopt and implement an e-learning system will require a clearly defined business case. Developing a laundry list of potential benefits is only the beginning. You must then apply them to your particular business situation. A business case will offer a clear statement of the business problem(s) and your proposed solution(s), as well as provide measurements of success. In essence, it describes your organization's current status versus the desired status, and how the organization can achieve its goals.

Aligning E-Learning with Business Goals & Measuring Results

In *The Power of Alignment*, George Labovitz and Victor Rosansky chronicle the enormous competitive advantage that springs from aligning business objectives and employees' personal goals. Top management needs to be clear what the overall goals are for the organization. Enormous power can then be realized by aligning individual goals with this business strategy, and business processes with customer needs. As Fred Smith, chairman of Federal Express has been quoted: "Alignment is the essence of management."

The target audience for your e-learning business case will most likely be comprised of both business unit managers and senior executives—the people who will ultimately give your proposal the business and financial support it needs to succeed. Consequently, it is important that your business case be aligned with their goals and "points of pain." A well-formulated business case will support the planning and decision making processes of these two groups.

Business Unit Managers

Business unit managers own the problems that training solves. They are pragmatic; their overriding interest is getting the job done—and soon. Until you know what your business unit managers are trying to accomplish, you can't talk to them about potential results.

The business unit manager is usually training's primary sponsor. The "right client" is the decision-maker who understands the end goal and has responsibility for the organizational area in which the problem occurs. When you're working with the right client in your organization, measuring results is not difficult. Start with business problems and work backwards. The most important step in measuring performance is to pin down the business manager's answer to the classic question: "What's in it for me?"

Don't skip this step. Without it, meaningful tracking is impossible. First, gain agreement on the business problem(s) to be solved and the value of solving it (them). Then go on to outline what you propose to do to solve it. Establish a baseline measure of current performance, and clearly indicate how performance will be tracked and reported. Management is looking for results.

Determine what your project sponsor(s) will accept as persuasive evidence that the program produced the agreed upon result. Working with strong probabilities, proceed to make your case logically by linking learning to business results. Establish a causal (not casual!) link between a particular skill deficiency and a particular business outcome. The process of tracking learning results starts *before* any learning takes place. It begins with partnering between the training manager and the line manager who owns the business problem to be solved. Be sure you articulate agreement on the value of solving the problem.

Your joint examination of the problem will pinpoint the gap between the results desired and the results you're actually getting. Then determine what major skill gaps and learning

deficiencies are holding people back. Then estimate the expected dollar value to be gained by eliminating the deficiency and make tangible projections from those outcomes. Make sure you get agreement on the expected outcomes, how they will be measured, and what constitutes good performance.

Meanwhile, throughout the process, you're helping managers answer questions about why skills matter and what good performance looks like. You're focusing sustained attention on solving business problems and adding value. You're identifying tangible values for each skill to be taught. As a result, you're forging a partnership with the business unit manager based on his or her core concern: performance.

Senior Executives

No organization has the resources to do all the good things it might. Senior executives are forced to choose where to place the company's bets. What are the top priorities? What comes first? Do we do something in-house or outsource it? What will yield the greatest return? A good business case shows expected consequences of the action over time, and—most importantly—also includes the methods and rationale that were used for quantifying benefits and costs.

Executives focus on two things: strategy and outfoxing the competition. They realize that competing successfully requires teams of inspired employees—mentally equipped to make sound decisions on the fly; able to execute good ideas in a snap; and proactive when it comes to taking initiatives and cultivating innovation and delivering results. Consequently, they focus on sales, revenues and profits; out-surviving the competition and increasing market share. Your e-learning business case must also address these types of issues if you hope to garner the support of your senior executives.

A major part of your role in researching and building a business case for e-learning is to help your senior executives make sound choices. They are looking for you to convince them that your e-learning initiative is worthy of the organization's time, effort and money. To make their analysis clear, distill a complex business alternative into a three- or four-page business case, a tool that supports planning and decision making, including decisions about whether to buy, which vendor to choose between, and when to implement. From a senior executive's standpoint, business cases are generally designed to answer the question: What are the likely financial and other business consequences if we take (or don't take) this or that action?

Return on Investment from E-Learning

Your CFO and/or executive team has probably already asked you to justify your training investment in terms of financial payback. Being able to produce an accurate and defendable return on investment (ROI) has long been the holy grail of the training industry. Much has been written on the topic, but in the end, every calculation has some element of subjectivity.

However, there is still a lot you can talk to your CFO and/or executive team about to justify your e-learning investment. In terms of the payback from the skills acquired by an individual, it will be no different from traditional classroom training. In either case, financial calculations can be based on the reduction in time taken to complete tasks, the ability to carry out activities not possible before, or increases in the quality of activities.

Turning to the cost side of the equation, e-learning offers several advantages over classroom training. You need to take into account the following factors:

- The cost per person for the training is likely to be considerably lower.
- Tremendous cost savings. As much as 40 cents of every dollar spent on in-person corporate learning is eaten up by travel and lodging costs. Brandon Hall, a well-recognized industry expert, believes that companies can experience a 40-60% cost savings when comparing instructor-led courses with technology-delivered courses.
- The productivity lost from being away from the job is likely to be considerably lower, particularly if employees are willing to train outside normal work hours.
- The training time may also be less, given the ability to take just the required training modules (or "opting out" by showing competency in a pre-test) rather than having to attend an entire course. This decreases employee time-to-productivity/time-to-competency.
- E-learning requires very little to no training administration for student course bookings, reserving classrooms or updating training records. Most LMS systems automate or eliminate these processes.

E-Learning also delivers a number of less tangible organizational benefits:

- By empowering individuals to develop their own skills when they want, enhanced employee motivation and reduced staff attrition will lead to savings in recruitment costs.
- E-learning can offer a higher knowledge retention rate (for example, a recent U.S. Congressional study demonstrated a 250% improvement compared to classroom training).

In the next section of this document, we'll look at two specific ways of using e-learning that offers substantial benefits:

- The ability to develop, introduce and roll-out internal product or customer training quickly and on a nationwide or worldwide scale, leading to faster time to market, earlier revenue streams and enhanced competitiveness.
- The possibility of providing training directly to your customers much more easily, leading to new revenue streams or enhanced product adoption.

Clearly, not all of these paybacks can or will be achieved overnight. However, these represent a realistic set of quantifiable benefits to help build your business case for e-learning.

E-Learning for Rapid Product Roll-Out

Introducing new products, systems or processes to your employees and salespeople via classroom training can be a major project, especially if it involves large numbers of people located in different offices and countries around the world. Apart from the high cost, such projects can also take substantial time to develop and deliver; thereby delaying the date when the new office system can be brought online or the new product can be offered to customers.

But the old barriers of time and distance can be eroded significantly using e-learning technology. Once the training has been created and made available via the Internet, it is automatically available to all employees. Any number of individuals can take the course simultaneously—even within a required time period—and you'll know when they've completed the material and demonstrated proficiency by achieving, for instance, a passing score on a post-test.

E-learning is particularly beneficial to an organization operating in a marketplace where there is constant change. For example, a company with a large product offering faces an enormous struggle in keeping its sales force up-to-date and educated, especially if that sales force is geographically dispersed. But e-learning enables product development and sales training departments to create and deliver training quickly and without regard to distance.

E-learning can also be used as just-in-time training; for example, as a refresher or knowledge database that can be accessed just before making a sales call. And e-learning material can be updated and made instantly available to your audience with the click of a mouse, without the time and costs associated with reprinting and distributing hard copies of manuals, sales education materials, CD-ROMs, etc.

If you already have your e-learning infrastructure and culture in place, then new product roll-outs quickly become a matter of creating the training material and making it available online. In summary, consider the following benefits:

- Quicker rollout of new products, leading to faster time-to-market.
- Reduced organizational effort, time and training costs.
- Ability to extend the training to channel partners at no additional cost.
- Continuous availability of just-in-time information and "refresher" training.
- A more knowledgeable and effective workforce.

Increasing Customer Revenues with E-Learning

What about using e-learning to create new revenue streams? Customers often need training on your product, and will pay handsomely to get it. Some companies make a highly profitable business out of customer training (take Microsoft or IBM as examples).

Classroom training relies on bringing a group of students together at the same time and place, as well as the willingness of customers to pay for the cost of the instructor, classroom and ancillary expenses. For example, you might have 100 customers willing to pay $500 for a day-long course, but you just can't train them because you can't get more than a few of them to commit to doing the training at your particular premises on a specified date. If instead you could offer equivalent training for $100, available worldwide whenever your customers

wanted it, then you might get 1,000 or more enrollments, and the start of a healthy profit stream.

E-learning can also be used to educate your channel partners and suppliers about your business and products, providing the same cost and time savings, decreased time-to-market and increased revenue.

Of course, there are many other benefits from having more knowledgeable customers and channel partners, including higher brand loyalty and fewer service calls. And it can often be advantageous to provide the training for free—particularly if it relates to the sales process. For example, potential buyers can take an online tour of your company's products and the available options, guiding them through the purchase decision with advice, comparison reviews and financial planning tools. In the end, you'll deliver an increased number of well-qualified and educated customers to your sales department.

In summary, consider these benefits when talking to your management about delivering e-learning to customers and channel partners:

- Creation of new revenue streams.
- Customers will be more informed about products and services, enabling them to make more educated (and a potentially increased number of) purchasing decisions.
- Channel partners will be more educated about your products, and motivated to improve their sales and your competitive position.
- Ability to link training to the sales process.
- A higher profile for your company in using e-business to achieve competitive advantages.

Moving Your E-Learning Business Case Forward

This document has described several different aspects of building a business case for e-learning in your organization. Building a strong case means justifying the initial investment and aligning e-learning with your organization's business goals. Doing so will help you win the necessary financial and business support of your business unit managers and senior executives. Of course, the arguments described need to be applied to your specific circumstances when putting together your particular business case.

The following pages provide a breakdown or template of the basic elements you need to cover to develop your own e-learning business case.

Business Case Template

Problem Statement
Clearly state the specific business problem(s) to be addressed.

Background
Include significant information regarding skills, knowledge, budgeting and performance that contribute to the business problem. Indicate in general terms what's required to resolve or alleviate the business problem(s).

Proposed Solution
Outline the proposed solution.

Project Objectives
State what the proposed solution is trying to accomplish.

Current Process
Identify the organizational processes that the proposed solution will affect, including internal departments, clients, external partners, vendors and the competition.

Requirements
List the resources needed to complete the project, such as staff, hardware, software, time, budget, etc.

Alternatives
Describe 2 or 3 other options to implementing the proposed solution. Be sure to include basic requirements for each and estimate project risks, ramp-up time, costs and project delays.

Compare Alternatives & State Advantages
Compare and contrast each of the alternatives with the proposed solution. State similarities and differences, benefits and detriments, and costs associated with each option.

Summarize the advantages of your proposed solution, paying particular attention to such items as ROI and cost/benefit analysis, as well as the impact on revenues, profits and expenses.

Additional Considerations
List critical success factors other than metrics; for example, effects on partnership agreements with specific vendors, internal marketing and promotion, and the potential need for help desk or customer support.

Action Plan/Recommendation
Propose specific action steps. State your short-term and long-term action plans, including major milestones.

Success Measurements
Outline how you will measure the overall success of your solution (tie directly to Project Objectives).

Executive Summary
A single page that will provide a clear, concise summary of the proposed solution. Include a high-level overview of your research that leads you to the proposal.