The ROI of Online Training

INTRODUCING A BREAKTHROUGH IN MEASURING THE IMPACT OF ONLINE CORPORATE TRAINING

schooX

Foreword from our CEO

With U.S. organizations spending over $83 billion on employee learning and development, according to a recent study, it is no surprise that one of the leading questions we are asked by our customers and prospects is:

"How can we measure the impact and success of our online corporate training program? "

Today, employers expect all business units to meet higher standards of accountability. Human resource and talent management functions are no exception. As a result, online training budgets are receiving greater oversight than ever before. Human resource and talent management professionals are feeling the pressure to look for solid evidence to justify the investment in their programs.

Historically, success measurement capabilities of both classroom and eLearning have been limited. Companies have struggled with various methods to overcome the challenge, with minimal results. Our Schoox team was up for the challenge and set out to develop an effective and useful measurement system.

Our first step was identifying the critical questions we needed to answer including:

- *How can we know if our investment is paying off?*
- *How can we learn where our online training program is most effective and where it's falling short?*
- *If the existing training is not effective, how can we know what changes are needed to make it better?*
- *How can we know if specific modules, such as upselling products, are working?*

As Schoox searched for an answer to these questions, we hit on a perfect solution by extracting correlative insight from a combination of LMS data and KPIs. Our solution allows companies to extract any relation that may exist between those two worlds of data, so they can finally gain the exact critical insight they needed about their corporate training program's ROI. Because the measurement process is flexible, companies can measure their eTraining success from an almost endless number of perspectives — such as monthly revenue, employee job competency, customer service, employees' performance, and employee retention.

We're happy to report that we've accomplished our goal of bringing companies an effective way to measure the success of their corporate training through the Schoox LMS to ensure they are reaping the optimum results. This is the LMS opportunity that companies have been seeking.

Enjoy Reading!

Lefteris

Cofounder & CEO

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1 Introduction — Delivering the Next-Generation eLearning ROI Measurement

Corporate training is a critical aspect of successful companies today. Every company has to educate their new and existing employees on a wide range of topics — from teaching new employees front-line sales techniques to providing long-term employees with new skills so they can take on new positions with more responsibility.

Ever since the first learning management system (LMS) launched in the corporate world to educate the workforce, companies have wanted to achieve the next step — employing a consistent and effective way to measure their return on investment (ROI). But almost 20 years later they are still waiting. While some companies have attempted some level of ROI analysis, an easy-to-use, flexible, and impactful measurement system has remained elusive. Until now.

Schoox has discovered a previously unexplored relationship between training data and business data. This revelation provides the foundation for the creation of a new, more effective way to measure eLearning success factors. This breakthrough discovery employs LMS data, key performance indicators (KPI), and the science of correlation.

By correlating training data with KPI data, companies can extract a nearly endless number of insights about the impact of their online training program, from performance of the front line to the corporate bottom line.

This e-book provides an overview of how to better measure the ROI of online training. It includes a brief review of the limited solutions of the past, and an introduction to the future of measurement using the power of LMS data, corporate KPIs, and correlation.

2 The Growing Demand for Online Training ROI

The growth of online and blended employee training programs in today's corporate world is phenomenal — and on track to grow even more. In fact, online learning is one of the fastest growing sectors in today's business world — even before the COVID-19 pandemic hit. Consider these facts:

- 41.7% of global Fortune 500 companies now use some form of educational technology to instruct employees
- Employee training and education spends are growing by 14% every year
- In 2019 alone, $83 billion was spent on training in the U.S.
- The global LMS market is expected to grow to $22.4 billion by 2023, with the enterprise sector dominating academic institutions

Despite this phenomenal growth, so far, measuring the success of corporate training has not kept pace with advancements in online learning. In fact, most organizations have only achieved limited measure of the impact of their online training investment. This oversight is having a negative impact on learning and development (L&D) teams, who are under constant pressure to achieve performance targets, to reach higher performance levels, and to ensure that training programs support the organization's goals. Otherwise their corporate leaders will likely start slashing online training budgets.

With few effective ways to measure the ROI available, many training managers are facing a huge dilemma: How can they prove that the corporate training investments are paying off?

Many in the industry have sought to solve this challenge, but with limited results. For example, in the mid-1990s, a researcher for what is now the Association for Talent Development (ATD) achieved a level of success at measuring employee training performance. But the modality fell short of connecting the dots by demonstrating a real bottom-line ROI. The researcher discovered that the more a company invested in developing employees, the higher its stock value rose the following year. Her research put actual dollar figures to something L&D professionals have known for years — investing in employees does pay off. Learning opportunities result in higher levels of employee promotion, retention, satisfaction, skills and knowledge, and this translates to better organizational performance. But the theory did not translate into a practical application.

In 2008, research conducted by Bersin & Associates found only five percent of respondents routinely measured the ROI of their employee training programs, only eight percent regularly measured actual business impact, and only 14 percent measured job impact. Further, there was a significant disconnect between what organizations viewed as the most important and valuable areas to measure and what was actually being measured.

Respondents said the most important measures of training were those related to the impact on employees' jobs and on the business. Yet, these factors are the least capable of being measured.

By 2012, little had changed. A McKinsey quarterly report found that only 8% of organizations actually evaluate the value of L&D initiatives. And, too often, those who did track ROI rarely got beyond the basic step of asking employees for feedback immediately after training.

Fast forward to 2020, and LinkedIn's 2020 Workplace Learning Report shows that although the main focus for L&D is to measure the impact of learning, the survey data indicates that there is still no industry standard. And, much like McKinsey's report eight years ago, 43% of L&D professionals indicated that the most common way they measure the impact of online learning is through qualitative employee feedback, followed by the number of online courses completed.

3 Business Benefits of Employee Training

Few dispute the long-term benefits of employee training, which are significant and far-reaching. Staff training is essential for a wide variety of business purposes, including new employee orientation, training employees on new systems or processes, and training employees to prepare for career advancement within companies. Adding an online component to employee training delivers several additional advantages, including flexibility, ease-of-use, lower costs, and greater acceptance by employees.

Here are several more powerful benefits of employee training programs:

- Trained employees improve business performance, because they are better equipped to handle a wide range of business issues, such as customer inquiries, sales, and corporate software systems.
- Training promotes job satisfaction. As a result, nurturing employees to develop more rounded skill sets will help them contribute more to the company.
- Training boosts employee retention by instilling loyalty and commitment versus job stagnation.
- Training provides the opportunity to cross-train employees to handle more than one aspect of the business. Cross-training sparks employees' job satisfaction, gives companies more flexible staffing options, and fosters team spirit.
- Training allows knowledge to be shared among many employees — thereby, diversifying companies' investment in their staff.
- Workers today, especially given the issue of job uncertainty due to the coronavirus, are geared toward seeking employment that offers them development opportunities, including the ability to learn new skills.

Conversely, a lack of quality employee training creates many short and long-term problems. For example, a recent survey indicates that 40% of employees who receive poor job training leave their positions within the first year. They cite the lack of skills training and development as the principal reason for moving on.

Compounding the problem is the cost of employee turnover. Even with just one less worker, a company's productivity slips significantly, sales decline and current staff members are required to work more hours, which leads to employee dissatisfaction. Overall employee morale suffers. To find a replacement, human resource teams spend valuable time screening and interviewing applicants. The cost of staff turnover adds up. Figures vary, but it can cost as much as $3,328, depending on the position, to replace a front-line employee. That is a hefty price to pay for not training staff.

4 Three Training ROI Case Studies

Using various methods, companies have received some limited ROI insight of their employee training programs over the years, such as the following three examples:

- J.C. Penney found itself among the bottom of all retailers in customer satisfaction, with a 48% rating. To improve, the retailer launched a multi-faceted training approach to educate 155,000 associates in 1,100 stores. It had a straightforward measure for their program's success: improving its customer satisfaction rating. Just two years later, customer satisfaction ratings increased to 63%, ranking J.C. Penney at the top in customer service.

- Senior leaders at Texas Health Resources (THR) developed partnerships with local colleges to improve its learning programs for registered nurses (RNs). THR evaluated the ROI of the program by looking at the number of RNs who passed their licensure exams, how well the organization had decreased vacancy rates for RN positions, and RNs time to productivity. THR found that RNs participating in the program had an almost 100% pass rate on their licensure exams. Vacancy rates for RN positions fell from 11% to 2%, orientation time fell from three to two weeks, and familiarity with equipment, facilities, and hospital policies increased.

- When Owens Corning approached the UNC Executive Development Program to create a two-week boot camp, it was important that its employee training program was developed with two concrete measurements:

  (1) Program success by tracking the number of innovative ideas senior executives identified as most viable and approved to develop further

  (2) Increased market share and revenue in targeted growth areas

The company found that the training had achieved its goals of building innovative and customer centric leaders, and boosting revenue.

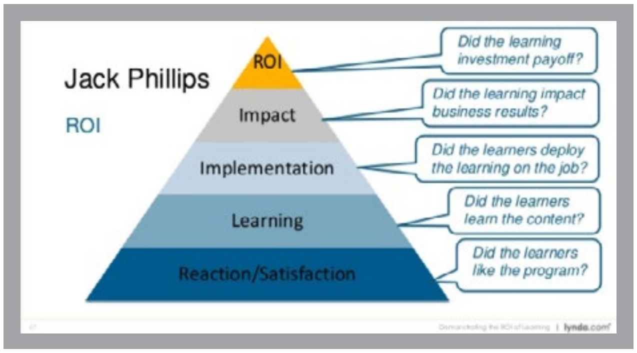
5 Brief History of Measuring Employee Training

Training professionals have tried for decades to measure the ROI of employee training — but with limited results. Part of the problem was their limited goals. Typically, companies have aimed to gain insight that allowed them to determine training effectiveness and identify areas needing improvement. While these are worthy goals, they are not the deep insight most companies are seeking today. A second problem was relying too heavily on causation. While causation has some value in demonstrating value, it is often difficult and almost always expensive to determine.

Here is a brief look at a variety of employee training measurement processes that have come and gone over the past two decades. They are all based on one modality — post-training employee surveys — which delivers limited results.

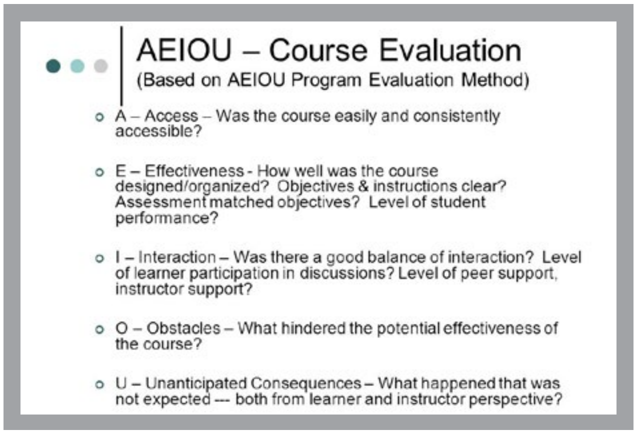
The ROI Methodology:

In 1997, Jack Phillips created an "ROI" measurement process that was based only on post-training surveys with employees. It measured employee opinions about reaction, learning, application, business results, and ROI. Then it followed up with surveys to identify changes in behavior and business impact. Behaviors were "monetized" to provide a benefits value for the "ROI" calculation.



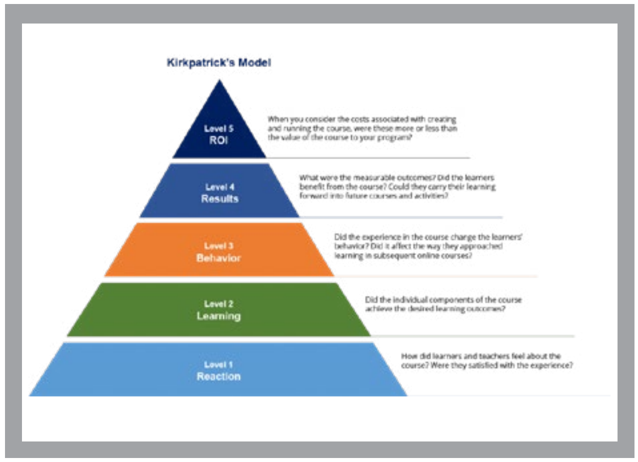
The AEIOU Methodology:

In 1997, researchers Mari Kemis and David Walker created an evaluation model with five components: accountability, effectiveness, impact, outcomes, and unanticipated consequences.



4 Levels of Training Evaluation:

In 1998, Donald Kirkpatrick created a model to measure learner opinions about: reaction, learning, application, and impact immediately after training.

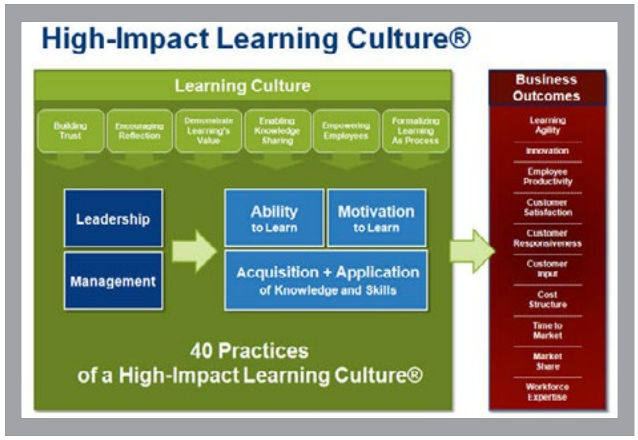


Success Case Method:

In 2003, Robert Brinkerhoff advocated an approach using a small number of questions (typically five) to gain the “pulse” among learners. Follow-up interviews were conducted with employees who provided extremely high or extremely low ratings to determine causes of success and failure.

Learning Impact Model:

In 2009, Josh Bersin introduced a measure system with nine components: satisfaction, learning, adoption, utility, efficiency, alignment, attainment, individual performance, and organizational performance. He did not advocate ROI as an end in itself.



6 Introducing a Superior eLearning ROI Measurement Solution

If the goal in measuring eLearning ROI is to gain valuable and actionable insights, then LMS analysis had to break out of the limited approaches of the past. What has been missing for years is finding the right relationship between training data and business data. As Schoox explored the challenge of finding a way to consistently and effectively measure LMS success, it found the answer within its own learning software system. The key was its LMS training data, companies' KPIs, and the science of correlation.

To measure their ROI within the Schoox LMS, all companies have to do is correlate their preferred KPIs against any online training variables they want to measure. This application of a sophisticated math technique easily allows the extraction of any relationship that exists between those two worlds of data.

From a mathematical perspective, correlation is a statistical measurement that indicates the extent to which two or more variables fluctuate together. A positive correlation indicates the extent to which those variables increase or decrease in parallel. A negative correlation indicates the extent to which one variable increases as the other decreases.

At an organizational level, KPIs are quantifiable metrics that companies create to measure results against stated goals and objectives. When created and tracked properly, they serve as a benchmark to measure and improve progress towards a set of broader-based goals or objectives. They are considered by the business world to be essential for helping businesses to measure the progress and success over the long term. This enables those in charge to see whether the approach they are taking is working and worth the investment, or whether a change is needed to bring performance up to an ideal level.

For example, if a company's vision includes providing superior customer service, then a KPI may target the number of customer support requests that remain unsatisfied by the end of a week. By monitoring this, a company can directly measure how well the organization is meeting its long-term goal of providing outstanding customer service.

It is important to set KPIs at the earliest opportunity. This way, everyone knows what they are working towards and how they should be focusing their efforts to improve. Quality KPIs for tracking employee training effectiveness should be:

- Measurable and quantifiable
- Competency based
- Linked to proficiency
- Mapped to organizational and employee goals.

To identify valuable KPIs, training teams should engage senior leaders early to decide which measures should be used to determine the ROI for the programs. This conversation is critical because L&D professionals need to demonstrate the value of their training programs based on metrics previously agreed to with the ultimate decision makers in order to justify the investment in learning and development.

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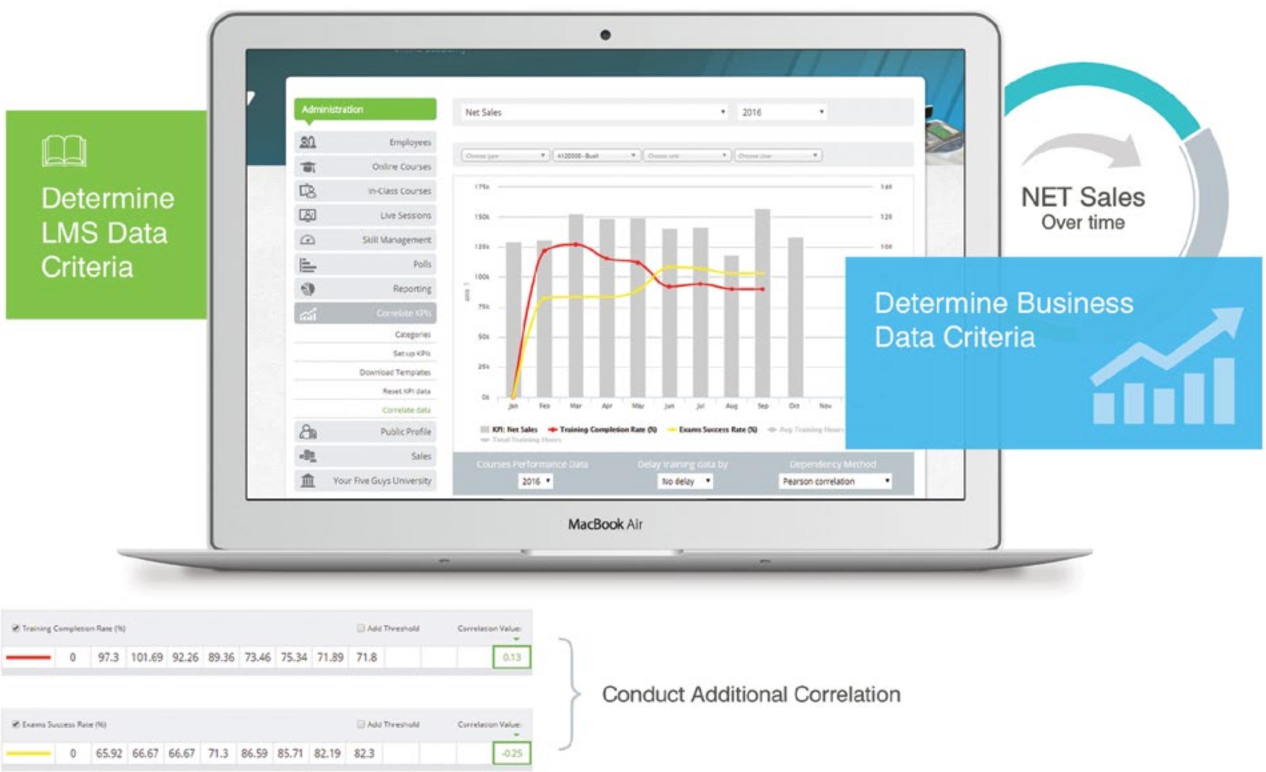
Schoox ROI Measurement Process in Action

Here's an example that illustrates how the Schoox ROI functionality works in action. In this example, we are measuring one of a company's KPIs — the impact of the existing sales training to sales performance. The outcome of this correlation shows if and what kind of relationship exists between training and sales performance of an employee named "John Smith."



1. Determine Business Data Criteria

For this calculation, sales data of a certain period is imported into the LMS, such as sales numbers from the previous 12 months. This data can be broken down into different departments, business units, products, and sales reps, depending on how sales are organized in the company. Additional data about sales targets for the next 12 months can be imported as well. Data can either be uploaded through a simple csv file or imported through integration between the LMS and any third-party application or data warehouse. Examples of sales KPIs are: monthly revenue (e.g., new, add-on, renewal), lead flow, opportunities, and conversion rates. Examples of KPIs to use include:

- Revenue broken down into units
- Correlate with training data
- Correlate with specific data
- Correlate revenue with training data at the employee level
- Correlate revenue with training data AND skills performance at employee level

2. Determine LMS Data Criteria

The Schoox LMS has significant data about training performance at the employee level for every part of the training coursework (e.g., training performance of John Smith for every lesson, course, and curriculum in the sales coursework). This data can be summed up at all levels of the organizational structure (e.g., training data for sales department A for every lesson, course, and curriculum of the sales coursework).

This makes a correlation between sales data and training data very interesting from multiple perspectives.

3. Conduct Additional Correlation

Additional data about skills performance and assessments can be taken into account during the correlation process. For example, training data like exam scores, time spent on sales coursework, or the number of attempts needed to complete a course or pass an exam by John Smith can be correlated with his sales performance over different periods of time.

This kind of correlation between sales and training can be calculated for different parts of the sales coursework (e.g., sales curriculum A versus sales curriculum B). It can also be done for a certain group of employees (e.g., sales department) to extract conclusions about the impact of training on all sales. Different sales coursework should be tried out on different groups of users to see if any drive better sales results over a period of time. For example, compare how different groups perform in meeting their sales targets.

Correlation of different subsets of data has literally endless options. Learning teams can be very creative with how they can look at the training data and performance from different angles, while trying to discover what impact training has on different aspects of the business.

8 Conclusion

For today's employee training organizations, measuring the effectiveness of coporate training is critical on several levels, including receiving funding, improving the curriculum, and contributing to the company's bottom line. When configured properly using the right LMS, training management systems can be fully automated to measure results. An automated system that combines LMS data, companies' KPIs, and the science of correlation is powerful, easier to use, and more accurate than any other performance measurement methodology available today.

What's more, leveraging LMS technology for ROI measurement also enables training professionals and departments to get more strategic with their measurement capabilities. As a result, they can now easily obtain a wide range of insights into both the overall effectiveness of online training and the specific micro-level impact of their employee eLearning programs. This wider and deeper insight will lead to three key outcomes: better employee training, improved contribution to corporate goals, and a measurable impact on corporations' bottom lines. As a result, corporate leaders will view employee training programs as having direct value to the organization as a whole.

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