Is e-learning delivering ROI?

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Abstract

Looks at the findings of a major e-learning benchmark study conducted in July/August 2001 amongst senior level executives within UK plc across industry/manufacturing/ retail, financial services, government, education and IT/ telecoms sectors. Compares the findings with a similar piece of research carried out in 2000 to establish how e-learning has developed. Seeks to establish any changes occurring in training and development and to determine the dynamics influencing the strategies and policies of those responsible for employee development. Examines current training and HR issues, training priorities, areas in which training is provided, the most popular types of training delivery, the status of e-learning, awareness and understanding of e-learning, current usage, reasons for implementing e-learning (or for choosing otherwise), benefits anticipated and already experienced by early e-learning adopters, return on investment and expectations for the future.

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Introduction

In 2000 SkillSoft commissioned the first major benchmarking study on the status of e-learning in UK organisations. At that time, we wanted to understand the trends and dynamics shaping the e-learning marketplace and predict how e-learning might develop in the future. This study was carried out by leading market research agency, Taylor Nelson Sofres, and quickly became the benchmark by which organisations measured their adoption of e-learning against the rest of their sector and the UK as a whole.

In 2001, SkillSoft again retained Taylor Nelson Sofres to repeat the survey on our behalf. This time, we wanted to establish what changes in training and development had occurred since the study was last conducted and determine the dynamics which were now influencing the strategies and polices of those responsible for employee development in UK plcs. We also wanted to establish how far the e-learning market had moved on and verify whether the emerging trends we had witnessed in the previous year had materialised. Finally, we wanted to take some attitudinal soundings about the extent to which e-learning, particularly for soft skills, would be endemic in the best organisations within two years.

The full findings are summarised in this article.

Methodology

The survey was conducted in July/August 2001 by Taylor Nelson Sofres and consisted of individual interviews with 204 senior level executives.

Each interview was conducted over the telephone and completed using CATI (computer aided telephone interviewing), a tool which effectively raises the control of the quality of fieldwork and data.

Each respondent was either a director or a senior manager within their organisation, responsible for a substantial training budget. They represented a wide range of companies and were drawn from both the public and the private sector.

Part 1. The training landscape

A commitment to training

There is no doubt from the findings that the majority of organisations take the training and development of their staff as a serious responsibility. Exactly half of those organisations surveyed say that they train over 75 per cent of their staff on a regular basis, with 36 per cent indicating that they train *all* staff regularly, regardless of level or job function. Encouragingly, this figure has remained constant from the survey in 2000, suggesting that the fears that training budgets would be under threat in the first half of the 2001 did not materialise. Despite the fears of a global recession, only 3 per cent said that increasing the budget was amongst their concerns.

Additionally, the findings suggest that this commitment to training will increase rather than decrease in the coming months. A significant majority (83 per cent) of the organisations questioned in 2001 indicate that they have a formal statement of their training strategy or training policy in place. In 2000, this figure was 77 per cent. This increase indicates that more organisations are taking training seriously – as it is realistic to expect that, once formal statements of strategies and policies exist, there will be a training programme in place, or planned, to support this. In this area only, the government leads the way with over 95 per cent, compared with 92 per cent in the IT/telecoms sector, 90 per cent in education, and 75 per cent in financial services. The manufacturing/industrial/retail sector lags behind with 68 per cent.

Key issues facing the HR and training community

Each respondent was asked to highlight the most critical issues they faced as an HR professional in their organisation. Given the nature of the responsibilities amongst our sample, it came as no surprise that training and staff development should top the list with 44 per cent of respondents citing this as a key area of concern.

What was surprising was that the two key areas often given most media coverage – recruitment and retention – were significantly lower. Staff recruitment was cited by only 29 per cent of respondents as a key area of concern and staff retention by less than a

quarter (23 per cent). However, what is of most interest is how these two concerns have changed year on year. In 2000, concerns over recruitment were higher (29 per cent in 2000 vs 36 per cent in 2001), whilst concerns over retention were lower (13 per cent in 2000 vs 23 per cent in 2001). This would suggest that, since our survey was conducted in 2000, the issues surrounding recruiting the right people have eased and organisations are turning their attention to keeping and developing the staff they have. Amongst other key issues, managing change was mentioned by 18 per cent and technical innovations, budget issues and changing legislation were cited by 7 per cent, 6 per cent and 5 per cent respectively.

Training priorities

One of the areas the research sought to explore was how the development needs of employees were prioritised by those who controlled the budget. The skill area with the most responses (30 per cent) was management skills, which was almost double that of 2000, when only 16 per cent of respondents indicated that this was a priority. IT training, on the other hand, is no longer the priority it once was; in 2000 over 39 per cent said that it was amongst their main priorities, whereas in 2001 the figure falls to only 19 per cent. Other notable priorities include: developing training in specific areas (19 per cent); training more staff (13 per cent), increasing the effectiveness of training (9 per cent) and developing a broader portfolio of courses (7 per cent). Developing a competencies framework was mentioned for the first time by 6 per cent of respondents and 5 per cent say that a key priority is to implement e-learning.

When asked to pin-point the highest priority, management skills training is again the most cited with over 17 per cent of respondents saying that this is the main focus in their organisation.

Interestingly, budget concerns are only cited by a very small number of respondents. A total of 3 per cent say that increasing the budget is amongst their concerns, but only 1 per cent indicate that it is their highest priority. This signifies that, at the time the survey was conducted, training budgets were not under threat, although their effectiveness and reach were being evaluated.

The areas in which training is provided

Not surprisingly, top of the list is IT training, with 90 per cent of respondents stating that they provide training in IT skills for their employees. This has remained fairly constant year on year (93 per cent in 2000).

Apart from IT skills, all the organisations questioned were involved in a wide range of soft skills development. The most popular skill area is customer service skills, which over three quarters (76 per cent) of organisations provide for their staff. Other critical enterprise skills are also provided by the majority of organisations (see Figure 1). However, there are some notable differences in some key areas for larger organisations (those with in excess of 5,000 staff).

A greater number of larger organisations typically provide training in customer service, HR, quality management, operations, leadership and strategic planning.

Training delivery

In our 2000 survey, the most frequently used method of training cited by our total sample was Instructor Led Training (ILT) and there is no doubt that it continues to be the most popular method. Our 2001 survey found that 89 per cent of organisations are still using this as their primary method of developing employee skills. This is down slightly from 93 per cent in 2000. However, of those organisations using ILT, 21 per cent expect it to decrease in 2002.

Typical reasons given for this decline were:

· financial cost of ILT;
· time cost (in time expended travelling); and
· need to train staff across diverse geographic locations.

In 2001, e-learning was cited by 40 per cent of respondents as being one of the main methods they used – marginally behind CD-ROM-based training with 43 per cent. However, of those organisations using e-learning, 87 per cent of respondents expect to see an increase in this method of delivery. If this trend continues as expected, it is likely that in the next 12 months e-learning will supersede other forms of training, except ILT, to be the most widely used method of developing employee skills.

Of those organisations that have implemented e-learning, 71 per cent use it as one of their main training methods.

Part 2. The status of e-learning

Awareness and understanding

In 2000, awareness of e-learning was exceptionally high, with 94 per cent of our sample saying that they were aware of this type of training. In 2001, we sought to clarify understanding as well as awareness.

Each respondent was given the following description:

> Internet or intranet-based training, that enables users to access training courses and learning materials on a desktop computer. Users can learn either in complete sessions lasting two to three hours or in shorter modules during the course of their work or at another time to suit them.

The respondents were then asked if they were familiar with this method of training delivery. The response was unanimous – *all* respondents said that they were aware of this type of training. Asked then to define this type of training in their own words, 63 per cent

Figure 1 The areas in which training is provided
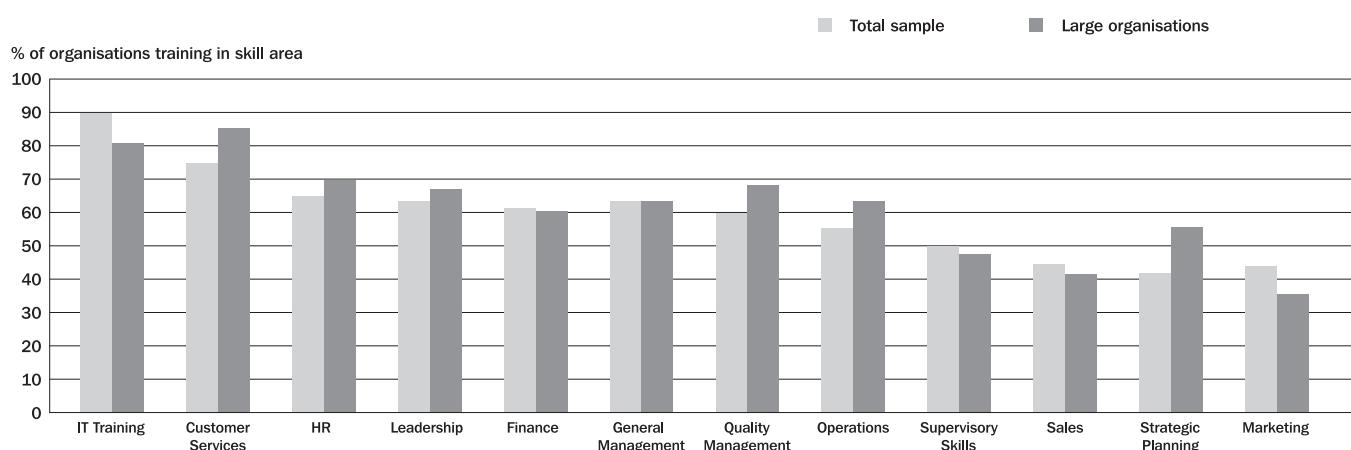
spontaneously characterised this as e-learning. From this it would appear that e-learning not only is well recognised as a definition of Web-based training but is well understood as the accepted definition of it. Amongst the other terms used there was no clear alternative definition. The breakdown of the other factors is as follows:

- Online learning – 7 per cent;
- Computer-based training – 6 per cent;
- Internet/intranet training – 6 per cent;
- Web-based training – 3 per cent;
- Open learning – 1 per cent.

The extent to which e-learning has been implemented

In 2001, e-learning had been implemented by 46 per cent of our sample in total; an increase on the previous year of 12 per cent. However, by 2003, a substantial majority (78 per cent) of the total sample expect to be using e-learning.

Interestingly, there were some differences in e-learning adopters by sector.

Organisations within the IT/telecoms sector are the clear early adopters, leading the way, with 61 per cent having already implemented e-learning. This is up from just over half (55 per cent) in 2000. In addition, the overwhelming majority (94 per cent) of those in this sector who have not implemented e-learning say that they will have implemented it within two years. This suggests that the rate of adoption in this sector is growing and, by 2004, e-learning will be prevalent in all IT and telecoms companies.

The IT/telecoms sector is followed by the education sector, with 57 per cent stating that they had implemented e-learning, up from 54 per cent in 2000. This rate is slower than the IT/telecoms sector but, despite this, 85 per cent of respondents in the education sector still expect to have implemented e-learning within two years.

The financial services sector follows with 51 per cent having implemented e-learning. Within two years, 79 per cent expect to be using it.

Lagging behind are the manufacturing/ industrial/retail and government sectors with only 32 per cent and 27 per cent respectively. However, in two years these figures will rise to 61 per cent and 67 per cent respectively.

E-learning for soft skills

The results of the study found that developing soft skills through e-learning is well established in many of the organisations interviewed.

Of those that have already implemented e-learning, the following picture emerged:

- Almost 40 per cent are currently using e-learning to develop soft skills.
- Of the remainder, an additional 29 per cent expect to have implemented e-learning for soft skills within two years and a further 5 per cent expect to have implemented it in three years.
- If this level of implementation continues as predicted, by 2004 approximately 74 per cent of those who have embraced the practice of e-learning today will be using it for soft skills development.

Equally encouraging for the development of soft skills is the response of those who are planning to implement e-learning. Of those who are planning to implement e-learning within the next two years, 59 per cent say that they will be using it for soft skills.

Reasons for not implementing e-learning

Given that the majority of the sample questioned had either implemented e-learning or were planning to adopt it, the group of respondents not planning to implement e-learning was very small (only 13 per cent of the total), the majority of whom were from smaller organisations. The reasons given by this group as to why e-learning might not be implemented in their organisation were wide-ranging with no single factor ahead of any other:

- It is too new/do not know enough about it – 3 per cent.
- No budget – 3 per cent.
- Lack of IT – 3 per cent.
- Not part of strategy – 1 per cent.
- Cannot teach skills over the Web – 1 per cent.
- It is a threat to the training department – 1 per cent.
- Staff prefer external courses – 1 per cent.

Current usage and planned usage of e-learning

In those organisations where e-learning has been implemented, it is being used to develop skills in over 20 areas. IT skills is the area for which e-learning is most frequently used with

71 per cent of organisations using e-learning for this purpose.

E-learning is also being used to develop a range of enterprise-critical skills in a number of organisations. Also, a significant number of those organisations not currently using e-learning for soft skills either plan to do so within the next two years or are actively considering it (see Figure 2).

Reasons for implementing e-learning

One of the reasons given by most of the organisations surveyed for implementing e-learning remains unchanged from our survey in 2000: cost-effectiveness. Over 45 per cent of respondents in 2001 cite the cost-effective nature of e-learning as being a key driver for its implementation. A total of 36 per cent of respondents indicate that it has been adopted in their organisation because it can be implemented across multiple sites, with ease of access, taking the learning to the staff, wherever they happen to be based. Almost 20 per cent see it as a more effective way to develop staff skills and 20 per cent have implemented it because it is self-paced and empowers the employee.

Surprisingly, being part of a blended learning solution was a driver in only 7 per cent of organisations questioned, as was just-in-time (JIT) learning.

Other reasons included:
- Need to keep up with latest developments – 8 per cent.
- Can be constantly updated/power of the Web – 7 per cent.
- Can be tailored – 6 per cent.
- Complements existing knowledge management approaches – 6 per cent.
- Popular with computer-literate staff – 3 per cent.
- Depth and breadth of course work – 3 per cent.

The benefits of implementing e-learning

A key part of the survey was to establish whether the anticipated benefits of e-learning had been realised by those organisations which had implemented it. Over one third (35 per cent) of the organisations in our sample that have implemented e-learning are still in the evaluation stage. From the rest of the responses it is evident that, without exception, almost all of the benefits anticipated have been achieved (see Figure 3). For those organisations still at the evaluation stage, this should be welcome news.

Cost-efficiency was one of the key reasons given by organisations for implementing e-learning and indeed almost one third (27 per cent) have seen this benefit. Almost one quarter (24 per cent) have been able to deploy their training across a wide geographic area and multiple sites, taking the learning to the staff wherever they are; 19 per cent have reaped the benefits of e-learning empowering the individual and being self-paced: and 16 per cent cite e-learning as a more effective approach to training.

Other benefits realised are as follows:
- Can be tailored – 9 per cent.
- JIT (just-in-time) – 8 per cent.

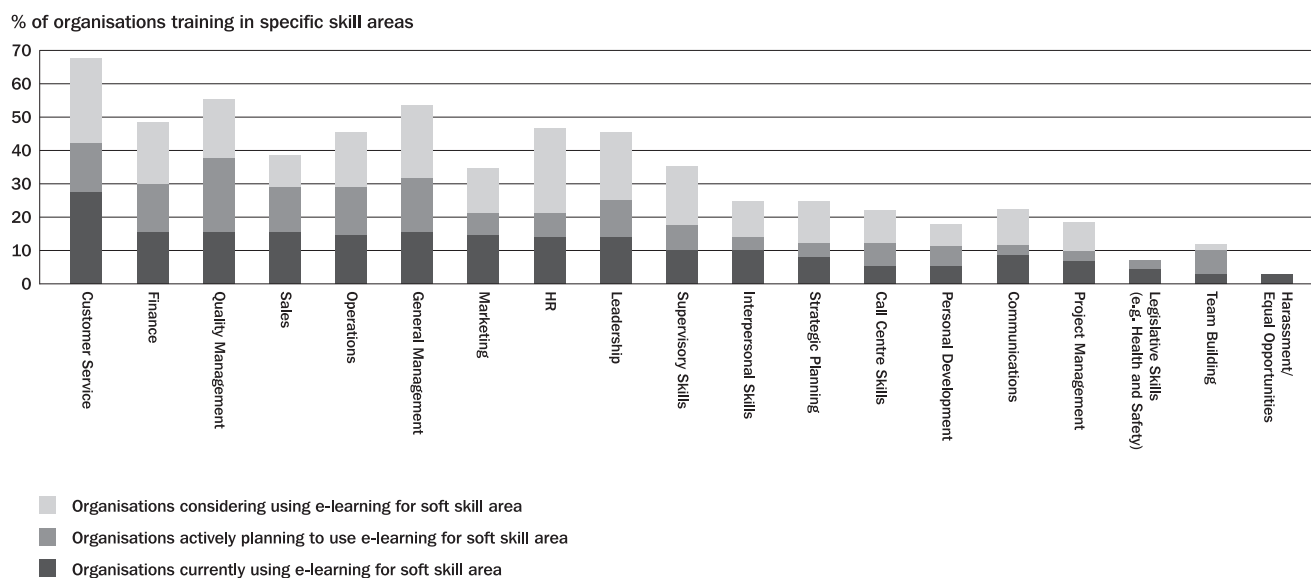**Figure 2** Current and planned use of e-learning

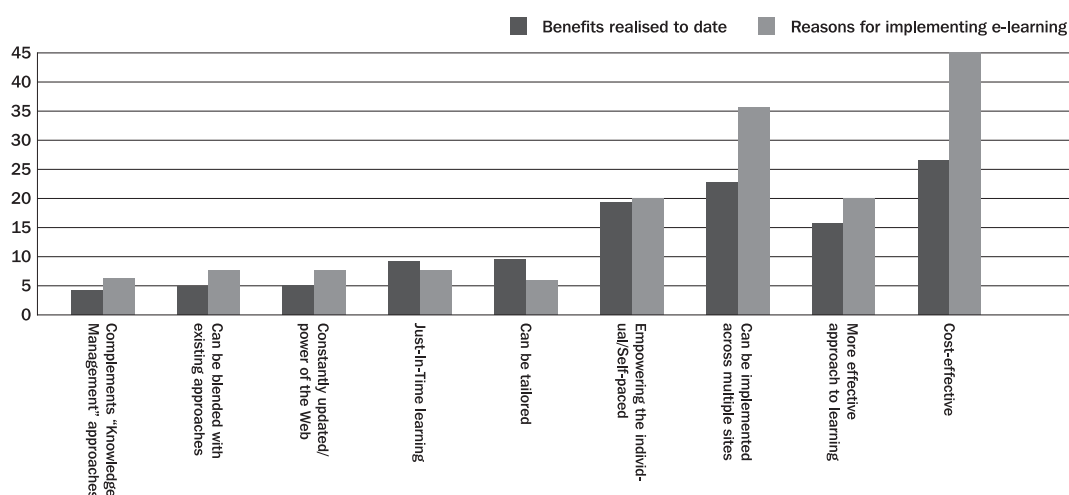% of organisations training in specific skill areas

Legend:
- Organisations considering using e-learning for soft skill area
- Organisations actively planning to use e-learning for soft skill area
- Organisations currently using e-learning for soft skill area

Figure 3 The benefits of implementing e-learning

Legend: Benefits realised to date · Reasons for implementing e-learning

Categories (left to right):
- Complements "Knowledge Management" approaches
- Can be blended with existing approaches
- Constantly updated/power of the Web
- Just-In-Time learning
- Can be tailored
- Empowering the individual/Self-paced
- Can be implemented across multiple sites
- More effective approach to learning
- Cost-effective

- Can be constantly updated/power of the Web – 5 per cent.
- Can be blended with other methods – 4 per cent
- Complements existing knowledge management approaches – 3 per cent.

Weaknesses experienced with e-learning

The overwhelming majority of those questioned have experienced no significant weaknesses from their e-learning programmes as a delivery method for training and development. Indeed, the biggest limitation of e-learning experienced by those who have already implemented it is the IT infrastructure. Of those who are using e-learning in their organisations, 21 per cent express concerns over the ability of the organisation's IT to effectively support e-learning programmes. This figure is only marginally lower than 2000 (24 per cent) suggesting that the issue of IT infrastructure is not being quickly addressed.

Only a small number (17 per cent) of respondents mention a lack of face-to-face contact as a limitation for e-learning, suggesting that the fears surrounding the isolationist nature of e-learning are largely unfounded. A total of 12 per cent of respondents express concern over the need for employees to be self-motivated. Thereafter, other weaknesses or limitations expressed are cited by less than 5 per cent of respondents. This would indicate that, with the exception of the IT concerns, e-learning is delivering significant benefits with no real limitations.

The positive impact of e-learning (ROI)

In this survey, we sought to establish whether any positive impact had been observed or indeed measured by the early adopters. This, we believed, would indicate to all other organisations the type of return they might realistically expect from implementing e-learning.

The results were unequivocal; e-learning is delivering significant business benefits – not only in the area of employee performance, but throughout the fabric of the organisation as a whole (see Figure 4).

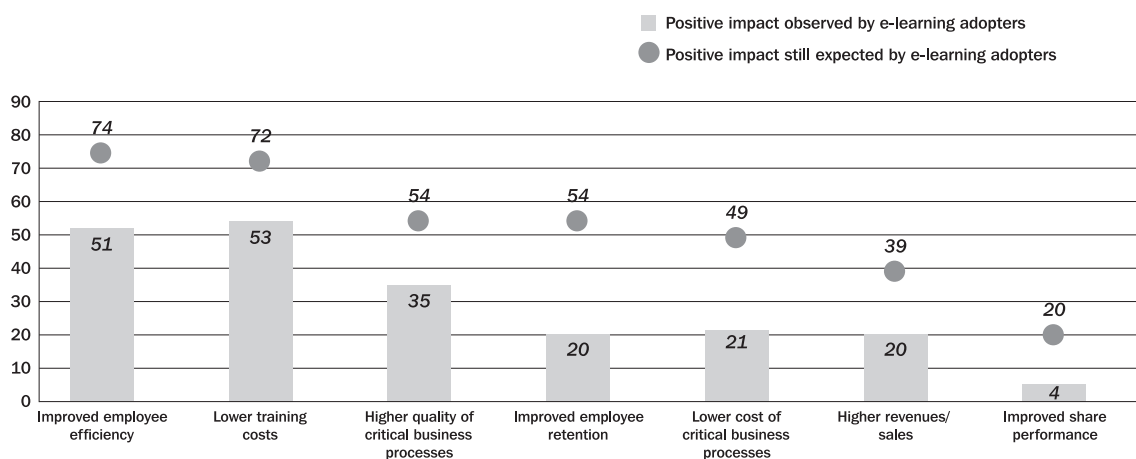A positive impact on employees was experienced by most organisations questioned.

Over half (51 per cent) state that the implementation of e-learning has had a positive impact on the efficiency of their staff. This indicates that e-learning is proving effective at developing the skills and performance of employees.

In addition, a further 23 per cent fully expect e-learning to have a positive impact in this area in the future.

A total of 20 per cent cite an improvement in employee retention as a positive impact and 34 per cent expect to see this in the future. This suggests that employees are comfortable with e-learning programmes and value the training they receive in this way. It may also be that, because of the nature of e-learning, training can be offered to staff who would not usually have the opportunities to develop their skills and therefore are more motivated as a result.

In addition to the employee benefits, a number of other business benefits were also

Figure 4 The positive impact of e-learning (ROI)

mentioned, indicating how far the impact of e-learning can be felt within an organisation:

- a positive impact on critical business processes was mentioned by almost half (46 per cent) of the sample;
- 35 per cent say they have experienced a positive impact on the quality of the critical business process after implementing e-learning;
- 21 per cent say the same for the cost of their critical business processes.

This would lead to the conclusion that e-learning is proving effective as a vehicle to develop vital business skills.

A positive impact on the financial side of an organisation was not an area we expected to be mentioned by many respondents. However, 20 per cent of respondents say that they have seen a positive effect on the revenues and sales of their organisation as a result of implementing e-learning. A further 4 per cent say that they saw a positive impact on their share price when e-learning was introduced. Finally, and not surprisingly, over half of the respondents (53 per cent) say that they have seen a significant reduction in their training costs as a result of introducing e-learning.

Meeting expectations

In each and every case where e-learning has been implemented, it has either met or exceeded the impact expected:

- For those organisations which had implemented e-learning to achieve greater employee efficiency, over 80 per cent say that their expectations have been met or exceeded.

- The same percentage say that they have had their expectations met or exceeded for the impact on the cost of their critical business processes.
- For those who wanted to improve employee retention, over 64 per cent say that their expectations have been met or exceeded (26 per cent unable to answer).
- For revenues and sales the impact was met or exceeded in 58 per cent of organisations for which this was a key driver (37 per cent unable to answer).
- For those organisations expecting an impact on their share performance, 50 per cent say that it had met their expectations (25 per cent unable to answer; 25 per cent refused).

A final word

For e-learning to become a core part of the training strategy of UK plcs, organisations need to be clear as to the business benefits it delivers. It will not be enough for e-learning simply to be effective at developing the skills of employees, in a cost-effective manner; it needs to deliver sustainable and significant benefits to the business as a whole. Increasingly, organisations are measuring the return on investment of all their expenditure and e-learning will not, and should not, be exempt from this.

In this study, we have started to see evidence of the real business benefits that e-learning is able to deliver, proving that a significant return on investment is possible. What is perhaps of greatest interest, though, is the experience of US organisations which

have been using e-learning for some time. Typically, US organisations are up to 18 months ahead in their experience of what e-learning can offer. They are, therefore, a good indicator of what organisations in markets such as the UK might expect to see from their investment in e-learning.

Earlier in 2001, a similar survey to the one commissioned in the UK was carried out by Taylor Nelson Sofres, with a comparable sample of respondents in the USA and Canada. Like the UK respondents, those organisations that had implemented e-learning and had been using it for some time were asked to talk about what return they had seen on their investment. These findings proved that without a doubt the potential benefits of e-learning are indeed far-reaching.

The figures speak for themselves:

- 85 per cent said they had seen a positive impact on employee efficiency;
- 81 per cent said that they had measured a significant reduction in the cost of some of their critical business processes;
- 75 per cent said that they had noticed an increase in the quality of their critical business processes;
- 62 per cent mentioned that their employee retention had improved;
- 60 per cent believed that their investment in e-learning had delivered a positive impact on their share performance.

For those UK organisations which have already started to experience the benefits of e-learning, these findings point to even greater returns to come. For those currently considering implementing e-learning, these findings should give them the confidence that doing so will make a real and positive contribution to the performance of their businesses.