EBOOK

The ROI of Online Training

Measuring the impact of online corporate learning.

schoox

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A 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's a brief look at a few of the most popular employee training measurement processes. They are all based on one modality—post-training employee surveys—which delivers limited results. Some honorable mentions also include CIRO, AEIOU methology, and Bersin's learning impact model.

Kirkpatrick model

In the 1950s, Donald Kirkpatrick created a model to measure learner opinions about: reaction, learning, application, and impact immediately after training. His model has since been updated to the version many L&D teams still use today.

Image Source: aihr.com

Phillips ROI model

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.

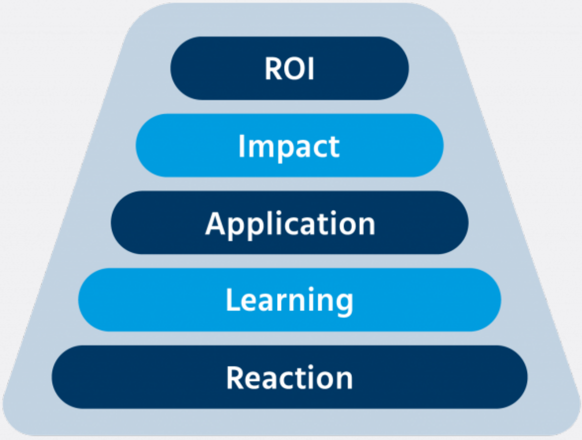
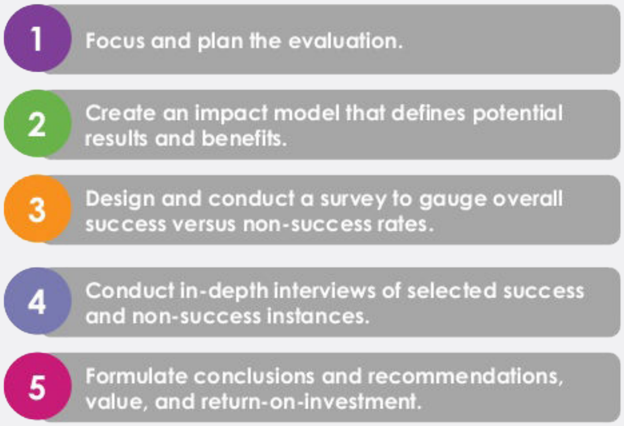


Image Source: mettl.com



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.

Image Source: vskills.in

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. Consider these facts:

90% of organizations today offer some form of online learning.[1]

Training programs can and have delivered a **250%** return on investment.[2]

92% of employees consider development important or very important.[3]

Organizations that invest in development saw **34%** higher retention rates.[4]

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, corporate leaders may cut their online training budgets, or worse, stop supporting these initiatives entirely.

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 4% of respondents measured the ROI of their employee training programs, only 7% measured actual business impact, and only 9% 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.

Business benefits of employee training

Few dispute the long-term benefits of employee training, which are significant and farreaching. 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 additional 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, which leads to employees contributing 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, giving companies more flexible staffing options.
- Training allows knowledge to be shared among many employees — thereby, diversifying companies' investment in their staff.
- Workers today are geared toward seeking employment that offers them development opportunities, including the ability to learn new skills, with 92%[3] saying it's important to them.

Conversely, a lack of quality employee training creates many short and long-term problems. For example, a recent Paychex survey indicates that 80% 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.

A new way to look at eLearning ROI

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. Enter a different way of tracking and understanding learning impact and ROI: directly correlating LMS training data to organizational KPIs within the system.

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. 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.

So why wouldn't you tie these back to learning?

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.

How do you correlate LMS data to business KPIs?

The reporting capabilities between LMS platforms can vary wildly. With Schoox, our integrated Business Impact functionality takes analytics to a whole other level.

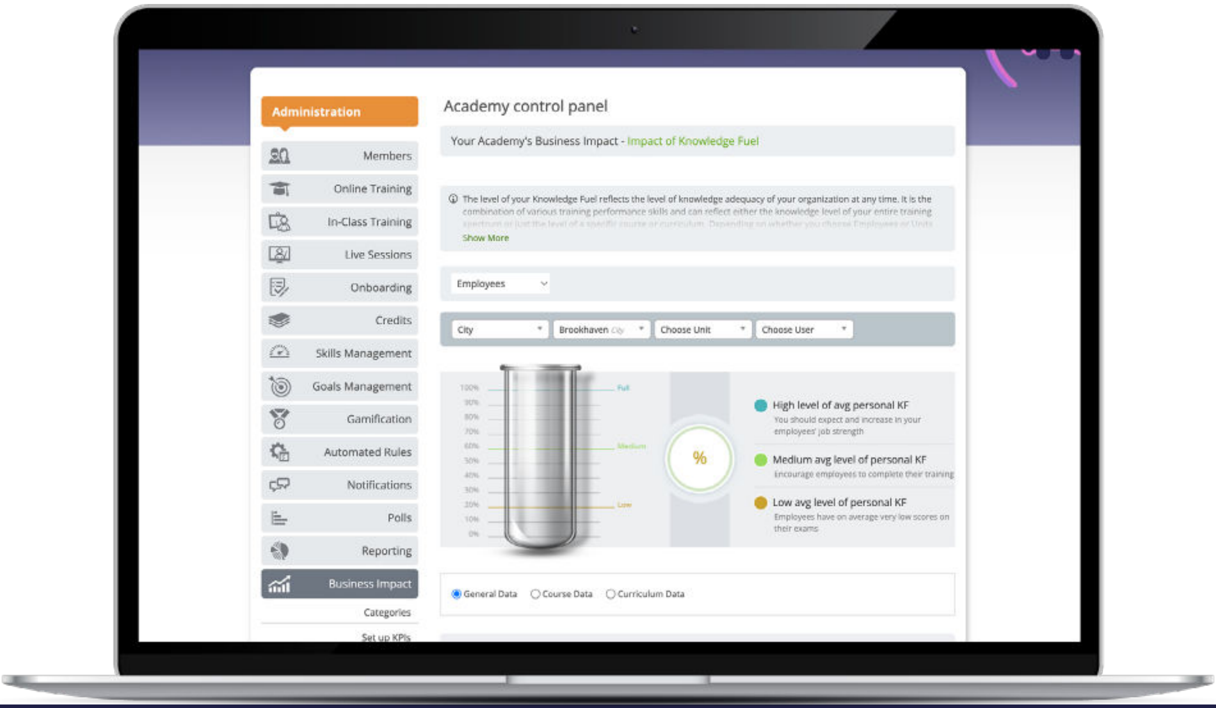
Here’s an example that illustrates how the Schoox ROI functionality works in action. In this example, we are measuring one of a company’s KPIs—the impact of the existing sales training to sales performance. The outcome of this correlation shows if and what kind of relationship exists between training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

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.

About Schoox

Schoox is workplace learning software with a people-first twist. People aren't cogs, and Schoox was designed for how humans actually learn. We keep learners curious by letting you deliver more kinds of content wherever they are, from the front line to the corporate office. And by making learning easy, accessible, rewarding, and fun, we help you get everyone more excited about their career development. Learners can "up" their skills, grow on the job, and get more done—and you can measure the impact of their awesome accomplishments.

Why choose Schoox?