
Value-on-Investment and the Future of E-Learning in the Training Market

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By William V. West

“The challenge we face in our efforts to build e-learning into a first-class industry is to confront the traditional e-learning value proposition and replace it with a non-traditional proposition that speaks directly and practically to business interests. Modern business is all about creating value. If e-learning as an industry does not speak to this core mission, it may never rise above an episodic quick fix to reduce basic training costs.”

The current state of e-learning: In-line with expectations

When I began my career 20 years ago, e-learning as we define it today did not exist. What we did have was called “computer-based training” (CBT), and it required significant infrastructure to implement, in the form of mainframe systems or a volume of diskettes or video disks. As my career progressed from IBM through Accenture, Ernst & Young, UNext.com, and my founding of Option Six, I’ve watched CBT evolve and spawn a new era of anticipation. I’ve also watched while the “new” e-learning industry gained momentum on the wave of dot-com ebullience, only to recede to the lesser role (in terms of early predictions) that it plays today. Some of the grand predictions may well come true, but they will be for far different reasons than was once thought. It will not be because millions enroll in online MBA programs or personal development training, and it will not be because of the typical return on investment calculation of cost saved from time and travel associated with classroom training. E-learning will reach its potential once its value proposition has established that it can produce substantially more bottom-line business returns—what I will refer to in this article as “Value-on-Investment” or VOI.

To establish the framework for VOI, it might be helpful to revisit the origins of e-learning. CBT began to emerge as a *viable* alternative to classroom training in the business community sometime in the mid-1980s. At that time we were developing courses on networked mainframes or on portable platforms such as (the “new”) microcomputers and video disks. (I distinctly remember copying a new CBT course onto

twenty 512kb diskettes for distribution to each of Accenture's 50 offices.) The wide adoption of the Web in the '90s revolutionized the CBT concept and made it universally accessible with minimal investment. Today, very little is needed in order to disseminate online training to a mass audience. With the Web, all you need is a server or a web host and courses built with a language like HTML or using a PowerPoint converter. Instantly you have "content" online and accessible by a pervasive audience. But that's the "e"—as in the **easy** part—of e-learning.

E-learning's economic impact

The specific term "e-learning" has been around for less than a decade, derived from the terms e-commerce and e-business. Its "introduction" produced an immediate and tremendous burst of enthusiasm. It mirrored the dot-com surge with investment groups, industry leaders, and media giants predicting massive growth. John Chambers, CEO of Cisco Systems, stated, "E-learning will make e-mail look like a rounding error."¹ Private companies and universities raised hundreds of millions of dollars convincing investors that professionals by the millions would sign up for online MBA and personal development programs.² A plethora of new technologies were developed, called "learning management systems," and the mass production of online courses were set into motion.

In terms of the grandiose expectations, e-learning has clearly and publicly fallen short. By traditional investment measurement criteria, e-learning has failed to live up to its promise. The stocks of most of the e-learning companies are trading at less than \$10 a share, with the leading firms losing millions every quarter—not impressive by most investors' standards.³ However, if we reassess e-learning as it relates to the adoption of similar new technologies—such as relational databases and client/server computing in the early 1990s—then e-learning may be exactly where it should be.

The Tornado: Defining e-learning's current state

The Chasm Group LLC and Chasm Institute LLC refer to the period of time when a new technology is in a competition-driven maelstrom, a dog-eat-dog battle for market share, as being in the "Tornado." Geoffrey Moore's book "Inside the Tornado: Marketing Strategies from Silicon Valley's Cutting Edge"⁴ classifies the Tornado as "a whirlwind of

market drivers that eventually creates standardized whole products, requires high-volume, low-cost distribution, and compresses profit margins, all in order to gain or maintain a dominant market position.” Some may conclude that there is a potential Tornado looming in e-learning because of the aggressive marketing and consolidations of content and LMS companies. An e-learning tornado should produce a widely adopted infrastructure of LMSs, product standards (e.g., SCORM and AICC), and prepare the industry to reach its next stage of evolution; where it can produce a real influence in the consumer market.

Its ability to move beyond the Tornado into, what the Chasm Group call “Main Street” or general public acceptance and assimilation, requires that the industry produce real value to the end consumer, well beyond the “facilitation of learning.” Chasm Institute Founder and Managing Director Mark Cavender challenged the e-learning hype early in the year 2000 stating, “Real business is not about ‘learning’; it’s about doing business.”⁵ E-learning’s ability to leave the Tornado will be predicated first by its ability to produce a real value proposition that affects the bottom line, then seeing this value proposition become so strong that it’s no longer a question of *if* we make the change, but just a matter of when and *with what vendor*. This is where ROI becomes less significant because it is now simply assumed due to the fact that “everyone is doing it.” Then and only then will we see e-learning emerge as a Tornado category just as we saw it in ERP, CRM, networking, databases, and others in the past. This is where VOI enters the picture.

Value-on-Investment:

The value proposition of e-learning as demonstrated by recent business cases

The outdated return-on-investment (ROI) for e-learning has been defined in terms of saved expenses—savings in terms of time expended, travel costs, facilities, instructors, time away from work, etc. This value proposition enables the vendor to claim with confidence, “Yes, put your classroom online, and you will achieve significant cost savings.”

The problem with this definition of ROI is that the value created is assessed by eliminating the classroom, not by assessing an equivalent value in acquired knowledge

nor a measurable impact to the business. That is, the traditional value proposition takes as its root an assumption that the online learning program is *just as* effective as what the classroom would have provided. Should the online training programs fall short of an equivalent classroom experience, then you fail to realize a justifiable ROI, not to mention falling short of a measurable value to the business. At worst, eliminating the classroom course may actually increase the overall cost to the company by not providing an effective training alternative.

The challenge we face in our efforts to build e-learning into a first-class industry is to confront the traditional e-learning value proposition and replace it with a non-traditional proposition that speaks directly and practically to business interests. Modern business is all about creating value. If e-learning as an industry does not speak to this core mission, it may never rise above an episodic quick fix to reduce basic training costs.

These non-traditional values and benefits are achieved when the framework of the business problem reaches beyond the common realm of teaching someone how to fill out an expense report, program a network router, or improve interpersonal skills. VOI will be characterized by courses that solve problems that affect the core of business, where the return on investment can be measured in any of the following terms:

- Significant dollars saved by the organization
- Significant increases in revenue earned
- Substantial improvement in the company's market position

Below are several examples of the application of e-learning to produce VOI. These are real projects developed using custom performance solutions and delivered using asynchronous e-learning technologies. Specific and proprietary references have been deleted for confidentiality, but the salient details are retained.

Television commercial advertisement production

In this instance, a Fortune 100 healthcare company with numerous autonomous operating divisions was confronted with a continuously difficult problem: staying within production budget allocated to develop a television ad. As one of the top TV advertisers in the world, the problem produced millions in cost overruns. Failure of the 3,000 or more marketing professionals to recognize the core cost drivers of commercial production resulted in substantial overspending and, worse yet, the failure to reserve budget for the actual “distribution” of the commercial.

The goal of the [project] was to help marketers become smarter consumers of ad agencies, take an active role in the production process, and make an informed assessment of the costs when new creative ideas came into play. The e-learning solution consisted of an asynchronous learning experience that demonstrated a variety of production techniques and had them evaluate the appropriateness and cost effectiveness of each through interactive practice activities. The course incorporated video examples of a wide range of commercial formats associated with the true cost drivers and the key decision points that often result in overruns down the line.

For example, one ad characterized the good effects of an analgesic medication for an elderly person. The primary scenario involved the family at home. Grandma is unable to play in the yard with her grandchild. She takes the medicine and subsequently is able to play happily with her grandchildren. Such an ad, utilizing a single production location, say grandma’s front yard, could be effective and on budget. However, the creative idea of, say, showing the grandmother skipping happily with her children on a beach at sunset might easily double or triple the budget. A new location requires different setups, perhaps different film crews, special timing in order to catch the sunset at “magic hour,” travel expenses, and related costs that dramatically increase the budget. Being able to recognize these incremental issues underlying a creative idea and relating them to the key value plan meant repetitive savings on budget overruns. The overall impact across a global company with multiple operating divisions is an opportunity to realize VOI—significant dollars saved by the organization.

Product brand stewardship

A Global 500 medical device manufacturing company had made a strategic decision to redirect its product strategy from focusing on features and functions to focusing on the actual *brand*.

Over the years the company had achieved market dominance with a tremendous reputation among medical practitioners and patients. However, competition from other providers increased fiercely as each achieved parity with features and functions. The company's research revealed that differentiation on the level of features and functions would, over time, seriously erode the product's reputation, market position, and profitability. Strategically, the company examined the state of the market and determined that a proactive and fully realized focus on the product's brand would be the most successful strategy. The company, after all, had the most recognized brand in the market.

The significant challenge was to change the entire organization's attitudes and tactical approaches to reflect this new strategic direction. How does a company get its people to change from the continuous battle of features and functions toward behaviors in which they "live" the brand? An e-learning solution helped the company to do that.

The e-learning solution was delivered in a blended format: an online prerequisite and post-course support tool, with a classroom component in between. The role of the online course was to get the audience beyond a "branding schmanding" attitude toward a full appreciation of branding and understanding of the organization's strategy. A scenario-driven approach was used to immerse the employee into the branding process; helping them experience the decision making process that was followed by the marketing division leaders. Interactive exercises and a scenario challenge were used to verify the employee's ability to apply the knowledge they gained from the course. This produced a common framework of knowledge and ability. The role of the classroom course was to reinforce these concepts and drive learners deep into application of the principles into their daily processes.

The course successfully delivered the message. Again, the true VOI had little to do with saving costs in the classroom; in fact the company continued to use a classroom session. The full value proposition was in refocusing the company toward its marketing strength and getting an organization to *rapidly* change its overall behavior—a substantial improvement in the company's market position.

Managing during exponential and global expansion

Another case involved the preservation of corporate identity and excellence in the face of rapid growth. The audience for the course was the managers and assistant managers of a large chain of restaurants. While the company had realized decades of modest growth, it recently ballooned to virtually doubling in size annually and was expanding into many other countries, a growth spawned by the uncommon popularity of its products.

The fundamental performance requirement for each store and for each of the employees was operational and product consistency, maintaining growth, and most of all supporting the historical brand. The challenge was how to not only train all these new people to do their jobs effectively, but to train them in such a way that reflected the culture of the company—its most prized asset. The overarching goal for each store was for each customer experience to mirror the same customer experience in any other store. Development of a performance program had to support all these requirements to position the company to achieve its growth objectives.

The e-learning solution included a series of asynchronous learning experiences, each using a performance-driven (problem-based) design. Significant effort was spent to define common problems and work with senior company leaders to define their best strategy for resolving the problems within their beliefs and attitudes towards the company's culture. The course challenged the managers with these common problems and provided learning resources crafted to provide the knowledge to solve the problems within the values of the corporate leaders. Given the audience was generally new users to online training, a series of interactive exercises, games, and other media were used to keep them engaged in the learning.

The full implementation of the e-learning solution supported thousands of employees in several countries during exponential growth. In this environment, where classroom training is not a viable option and where employee performance directly equates to the performance of the overall company, the e-learning solution enabled the company to confidently continue its market development plans and realize VOI—significant dollars saved by the organization while it experienced a substantial improvement in the company's market position.

Strategic pricing for technology products

Can e-learning reshape the way a company prices its products and competes in a fierce marketplace? That was the question asked by a Fortune 100 company. All major technological companies face stiff competition. In this industry, competing directly on price is no longer possible. As with competing gas stations across the street, nimble competitors quickly match any pricing change. The company determined that its advantage would not be determined by a price position but rather by the *value* the customer placed in the quality of the company's product over the competitor's low-cost positioning. When customers perceive that its product has a higher value to them, and then they are willing to pay more.

But how do you determine this value and set the price? What is the formal pricing strategy? How does that tie into profitability? These were important questions to answer. Simply pricing on a rough estimate of the customer's tolerance was not enough. Even small adjustments to the product pricing often resulted in exponential changes to the bottom line, both up and down. The company needed to implement a scientific process to determine price. This message, the processes that supported it, and the subsequent accountability, would be applied to everyone in the company with pricing responsibilities, from the CEO down to the senior manager level, across all product lines and throughout every geographic region.

The e-learning solution was developed with senior pricing managers and two independent consultants acting as the subject matter experts to help define the pricing strategy. As is often the case with VOI solutions, the framework and content for the course did not exist.

In other words, the company did not have a standard pricing strategy documented. The course was developed using a series of case studies to guide the audience through the price development process and help them understand how to segment their audience and differentiate their products. Given the audience included all senior managers, from the CEO down to marketing directors, the assessment strategy needed to be transparent yet still effective; so a series of applied activities were produced to reinforce the learning without the use of typical Q&A.

To deploy e-learning to a topic this important and an audience this wide offered the company “one shot” to get it right. This program carries a tremendous impact to the overall profitability of the company itself. The VOI of this e-learning program has nothing to do with traditional ROI of saving costs and getting people through training cheaply. It has everything to do with the bottom line of the company. The VOI would produce significant increases in revenue earned.

The current state of e-learning: Poised to realize its potential

E-learning is poised to enter the “Tornado.” Standards are emerging, increasingly every major company possesses a learning management and delivery environment, and e-learning development tools are prevalent. What is required next to make e-learning a viable tool that produces VOI—real business impact? Once again we can reflect on the evolution of past technologies, such as client/server computing and relational databases. Was it the prevalence of hardware and software that [realized the value] of these developments? Was the plethora of applications built on these tools the catalyst to enterprise resource planning and customer relationship management systems? No, it was their availability to experienced, talented service providers who could take the tools and build solutions that targeted and solved real business problems. During this time, service practices within Andersen Consulting, Ernst & Young, IBM, other service firms, as well as multitudes of boutique firms grew exponentially, while enrollments at universities ballooned with new business analysts, programmers, and system architects.

The fulfillment of a real business value proposition required the availability of new talent—network engineers, system architects, database analysts, and programmers who

would not only master the development environments but also apply the analytical skills needed to define the problem and design a solution. However, skills alone didn't provide the full impact. It was the emergence of a holistic approach to defining the problem. Marketing, finance, operations, and other disciplines joined forces with technology professionals to identify areas of opportunity, analyze and design a comprehensive solution, and implement new ideas that enabled these new technologies to achieve success. This availability of talent and the recognition by business units that these technologies could provide a solution provided the framework to make ERP and CRM a reality.

The new breed of talent and frameworks required to produce VOI

Reflect then on the current state of e-learning. Its growth is (in part) dependant on the availability of highly skilled talent and recognition by business units that e-learning offers a solution to problems that produce significant VOI. Essentially, if an instructional solution is going to target a critical business problem, it better be a well designed one that actually works. So, professionals formally trained in processes that develop relationships with their clients through which they can uncover the organizational high-leverage points and then have the ability/talent/experience to address them in a competent manner will be able to make believers out of these companies that dollars spent on e-learning is money well spent. Continued success stories such as those previously cited will garner the confidence decision makers need to recommend an e-learning solution. Currently, the industry is ripe with anecdotes and statistics demonstrating failure of e-learning to produce these results or to be successful on any number of criteria. Successful examples will only emerge as the abilities of the e-learning implementers continue to improve, new techniques and proven frameworks are developed, and the availability of qualified talent is prevalent.

The development of these frameworks and talent is challenged by the immaturity of the industry from an instructional design standpoint. Much like the development of client/server computing required a new genre of professionals with deep experience in relational databases and decentralized computing, the development of "successful" online performance programs requires a new genre of professionals formally trained in the adult

learning techniques that have proven effective in an online environment. This is not trivial nor gained through a weekend conference.

Much like the development of client/server systems requires a cross-functional team of programmers, architects, database specialists, and business analysts, the development of e-learning solutions that resolve real business problems requires a team of multiple disciplines. These include the instructional designer, writers trained in the unique requirements of online publications, visual designers and media developers who produce the online interaction and conceptual representations of the subject matter, web programmers who integrate the programs within the computing infrastructure, and business analysts and subject matter experts who can uncover the greatest value propositions where focused attention will deliver the greatest bang for their buck.

E-learning's next economic opportunity

At present, the number of suppliers providing e-learning technology and products continues to grow, merge, and evolve as the market defines its requirements. The number of companies adopting e-learning also continues to grow. However, the number of companies who have recognized e-learning as a solution to strategic business problems and realized VOI using e-learning is staggeringly small. Quite literally in the past three years of our business, nearly 90 percent of the projects for our clientele, which includes some of the largest of the world's companies, were the first utilization of e-learning toward a business problem. Typically their past experience included installing an LMS, purchasing a catalog, and loading a couple of slide shows online. They had yet to apply the technology to a business problem that produces a real value proposition.

This demonstrates the presence of a huge economic opportunity. While the leaders in the current e-learning industry continue to post revenues in the tens of millions quarterly on the sale of e-learning "products", the amounts pale in comparison with the revenue potential of solutions development through the application of e-learning tools toward business problems.

Conclusion:**Experienced providers are required to produce real Value-On-Investment**

So e-learning is right where it should be, and the potential is immense. When all the companies who have bought into the e-learning tools have access to the solutions providers who can effectively apply the tools and business leaders are able to work with e-learning providers to identify and create solutions that produce significant business value, then meaningful Value-On-Investment will be realized and indeed the predictions of this market can be fully realized.

About the author: William West, president and founder of Option Six, Inc., has 20 years experience in strategic planning, organization change management, information technology, and process reengineering. Professional experience includes management positions during the launch of change management and educational technology service lines at Andersen Consulting and Ernst & Young, providing services to more than 24 companies in 12 different industries. He served as CIO for five years at the nation's third-largest alumni foundation, and then was managing director of the online-education development center for UNext prior to founding Option Six. He directed, designed, and/or developed online courseware that won numerous international awards and whose work appeared on CBS *60 Minutes*. He is on the Alumni Board of Directors of the College of Arts and Sciences and a member of the Dean's Advisory Committee on Continuous Education at Indiana University where he holds a bachelors degree in computer science.

Option Six, Inc., is a full-service developer of custom online training. It delivers successful customer experiences by establishing trusted relationships, producing effective results, and receiving enthusiastic approvals from its customers. As a result, Option Six has been selected as the preferred provider to develop mission critical courses by a number of companies. Using performance-driven learning, the company produces effective and engaging courses for subject matter that is traditionally difficult to teach online. Clients include Hewlett-Packard, Eli Lilly & Company, Roche Diagnostics, 3M, Cisco, Abbott Labs, Krispy Kreme, the U.S. Navy, and others. For more information, visit www.optionsix.com or contact Option Six at (812) 337-9704 or info@optionsix.com.

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¹ *New York Times*; "Foreign Affairs; Next, It's E-ducation," Thomas L. Friedman. November 17, 1999

² *Newsweek*; "College Online", Daniel McGinn, April 24, 2000

³ Brandon Hall e-learning stock tracker (<http://www.brandonhall.com/public/ticker/>) updated June 16, 2004.; industry leading LMS SumTotal earnings <http://www.sumtotalsystems.com/press/2004/04/28/1>; largest service provider Digital Think earnings <http://www.digitalthink.com/news/pressroom/releases2003/071603earnings.html>;

⁴ Inside the Tornado Marketing Strategies from Silicon Valley's Cutting Edge by Geoffrey Moore, copyright August 1996; Harper Business

⁵ LiNE Zine; "E-Learning SchmeeLearning" by Mark Cavender; Fall 2000; Copyright (c) 2000-2004 LiNE Zine (www.linezine.com)