

This case was prepared to serve as a basis for discussion rather than to illustrate either effective or ineffective administrative and management practices. All names, dates, places, and organizations have been disguised at the request of the authors or organization.

Measuring the ROI of an e-Learning Sales Program

Financial Services Company

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This case study is focused on the ROI of an e-learning sales intervention. There are several aspects that made this project one to share with others. This particular case includes competency modeling, competency assessment, and evaluation components for the sales academy at a large, Midwestern company in the financial services industry, all the while undergoing a large merger integration process. The learning group enlisted the assistance of LCZ Integrated Solutions to provide consultation for the competency development and evaluation aspects. This study outlines the business need for the intervention, the e-learning program, and the evaluation plan, including how data were collected and analyzed. Finally, this write-up concludes with the results from implementing the e-learning program as well as lessons learned.

Description of the Performance and Business Needs

A large, Midwestern company in the financial services industry implemented a revised sales program in its sales academy. There were three drivers for the revised program. First, the learning group identified the knowledge requirements and critical skills for their business and documented key competencies required to move the business forward. Not only did the content of the sales academy need to be revised to match the new competencies, but the time spent in training needed reviewing. Second, the former sales academy consumed 3 weeks of the new hires' time. A significant impetus for the e-learning version of the sales academy was the need to reduce the amount of time spent in training and get sales associates generating sales earlier in their tenure. Finally, the company was in the process of acquiring a large company and wanted to capitalize on cross-selling its products. This meant that sales associates needed to increase knowledge of all the products and develop new transactions with existing customers.

Two additional issues of consideration occurring simultaneously were a new product launch and the fact that the call center was undergoing customer service training, which could affect customer satisfaction. An audience analysis confirmed that e-learning was an appropriate medium for the sales associates. The analysis showed that there were 3,000 sales associates scattered throughout the United States and more than 200 countries around the world. Many of the sales associates were remote employees. As road warriors, these sales associates used laptop computers through which they could access the company's intranet.

Description of the e-Learning Program

The learning group enlisted the assistance of LCZ Integrated Solutions to assist with competency modeling, competency assessment, and evaluation components of this project. Additional outsourcing assistance was obtained to develop Web-based training.

The sales e-learning program was designed to improve the skills in the following seven competencies: general sales skills, technical knowledge of the products, customer focus skills, prospecting, negotiating, managing resistance, and gaining business results. A basic sales skills segment permitted the sales associates to test their foundational skill level. Refresher content guided the learners through specific competencies before moving into the remaining sales topics.

The assessment provided immediate input on strengths and areas of improvement for each member of the sales team. This information was tracked in a database and triggered an automatic individual development plan to improve skills in the seven competencies. The skill-gap assessment coupled with the e-learning design allowed individual sales associates to customize their learning experience. If the sales associate already had strengths in negotiating skills, then the program allowed the learner to bypass negotiating skills and focus on specific areas needing improvement.

Evaluation Plan and Objectives

The learning management system (LMS) was the primary vehicle used to launch, score, and track the modules and the evaluations. At the close of each module, the learner was triggered to automatically complete a Level 1 evaluation. Figure 1 presents the full data collection plan.

Figure 1. Data collection plan.

Evaluation Purpose: To demonstrate monetary benefits from impact of sales academy on sales performance

Program: Online Sales Academy **Responsibility:** Consultant

Date: 03/03/03

Level	Broad Program Objective(s)	Measures	Data Collection Method/Instruments	Data Sources	Timing	Responsibilities
1	Reaction, Satisfaction, and Planned Action	Item #6 <i>I am generally satisfied with this course</i>	Course evaluation hosted on online assessment Website. Distribution method: email to participant with hyperlink to Website with course evaluation.	Online assessment database	Upon completion of course	Facilitator
2	Learning	85% correct on mastery learning check	Mastery learning checks hosted on online assessment Website.	LMS tracking system	Before and after course	Facilitator
3	Application/Implementation	Increased skill assessment ratings on sales competencies	Skill gap assessment launched through LMS; Automated through LMS	LMS competency management system	Before course and 90 days post online training	Monitored by Consultant
4	Business Impact	Increased new accounts; Increased \$\$ made from sells	Database fields for number of new accounts and dollars from sales	Sales workforce database	180 days posttraining	Consultant
5	ROI	Baseline Data: <ul style="list-style-type: none">• In 2002, 5,000 new accounts opened• In 2002, \$15,000,000 sold in those new accounts Comments:				

Adapted from Phillips, J.J. (1997). *Return on Investment in Training and Performance Improvement Programs*. Boston: Butterworth-Heinemann

The goal for satisfaction was set for an average rating of 90 percent. Mastery learning checks (Level 2) were embedded in the design of the e-learning modules. The learner was required to complete the mastery checks before completing the module. A goal of 85 percent correct was set for the mastery checks. Pre- and posttraining skill gap assessments (Level 3) were administered online to measure and track the level of sales competencies among the sales associates. A minimum score for the posttraining skill assessment, administered 3 months after training, was set for 80 percent. Other performance and business impact measures, which were tracked in an online sales workforce database included the following:

- ability to contact 10 new prospects and conduct needs assessment on those prospects. within a week after attending the sales academy
- number of sales proposals that the sales associates generated based on the assessments within 30 days
- number of new accounts opened
- weekly amount of dollars earned from sales in the first 4 weeks after sales academy
- monthly amount of dollars earned from sales thereafter
- number of customers retained out of total customer load
- dollar amount gained from new accounts
- reduction of time spent in training
- amount gained from cross-selling products (new initiative).

See figure 2 for the ROI analysis plan. To isolate the impact of the e-learning program, participants and their managers were asked to estimate the impact of the e-learning program on the business results. Confidence levels for estimates were used to adjust for any indecision (Phillips, 2003).

Figure 2. ROI analysis plan.

Data Items (Usually Level 4)	Methods for Isolating the Effects of the Program/ Process	Methods of Converting Data to Monetary Values	Cost Categories	Intangible Benefits	Communication Targets for Final Report	Other Influences/ Issues During Application	Comments
Number of new accounts generated	Control group			Customer satisfaction	<ul style="list-style-type: none"> • Senior vice president of sales • Vice president of sales • Vice president of sales academy • Sales academy project work team • Company's online newsletter • LMS (messaging for registrants) 	<ul style="list-style-type: none"> • New product launch • Call center undergoing customer service training, which could affect customer satisfaction 	
Dollars made from sales	Control group	Dollars made from sales in both groups pre- and posttraining; convert gross sales to net	Net profit from sales				
			Cost of online sales academy				
			Cost of lost productivity				

Adapted from Phillips, J.J. (1997). *Return on Investment in Training and Performance Improvement Programs*. Boston: Butterworth-Heinemann.

Cost of the e-Learning Program

The total cost of the former sales academy was \$18,890,800. This included analysis, design, marketing, delivery, evaluation, and overhead costs. Each sales associate already had an assigned personal laptop and the company already had purchased an LMS; nevertheless, a proportionate amount of the hardware and software were allocated to this project. The costs of the program are illustrated in table 1.

Item	Itemized Cost	Total Cost
Upfront Costs		
Servers (to accommodate learning technology)	\$10,000	\$10,000
Software (authoring software, LMS, survey software, virtual classroom setup): Depreciation Rate per Year × Number of Years	\$60,000	\$60,000
Hardware (PCs)	\$18,000	\$18,000
Total Upfront Costs		\$88,000
Recurring Technology Costs		
Annual software maintenance	\$500	\$500
Upgrades for software	\$300	\$300
Total Recurring Technology Costs		\$800
Analysis Costs		
# of employees × average salary × benefits × # of hours on project	\$6,500	\$6,500
Meals, travel, and incidental expenses		
Office supplies and expenses		
Outside services	\$2,000	\$2,000
Equipment expense		
Other miscellaneous expenses		
Total Analysis Costs		\$8,500
Development Costs		
# of employees × average salary × benefit rate × # of hours on project	\$6,500	\$6,500
Program materials and supplies		
CDs/diskettes		
Artwork/graphics		
Other		

Outsourced services	\$300,000	\$300,000
Internal services (for example, information technology staff), including salaries and charge-backs for services: # of employees × average salary × benefit rate × # of hours on project OR amount billed by department	\$7,500	\$7,500
Registration fees		
Other miscellaneous expenses	\$5,500	\$5,500
Testing (alpha and beta testing): # of testers × average salary × benefit rate × # of hours on project	\$5,500	\$5,500
Total Development Costs		\$325,000
Marketing Costs		
Marketing staff: # of marketing employees × average salary × benefit rate × # of hours on project	\$1,000	\$1,000
Meals, travel, and expenses		
Office supplies		
Printing and reproduction		
Outsourced services		
Internal services		
Equipment expense	\$150	\$150
Hardware expense	\$175	\$175
Software expense	\$175	\$175
Miscellaneous expenses		
Total Marketing Costs		\$1,500
Delivery Costs		
Participants' time in training: # of employees × average salary × benefit rate × # of hours of training time (tracked by either timestamp actual or average)	\$4,557,000	\$4,557,000
Lost production (explain basis)		
Program materials and supplies, if required		
Instructor costs for synchronous learning		
Instructors' salaries and benefits		
Meals and travel expenses for synchronous learning, if applicable		
Outside services		
Facility/rental costs (synchronous, satellite studio, distance learning lab)		

Facilities expense allocation		
Hardware expense		
Software expense		
Miscellaneous expenses		
Total Delivery Costs		\$4,557,000
Evaluation Costs		
# of employees × average salary × benefit rate × # of hours on project	\$6,800	\$6,800
Meals, travel, and incidental expenses		
Participants' costs for interviews, focus groups, surveys, and so forth		
Office supplies and expenses		
Printing and reproduction		
Internal services		
Outsourced services	\$8,000	\$8,000
Hardware expense	\$100	\$100
Software expense	\$100	\$100
Other miscellaneous expenses		
Total Evaluation Costs for Program/Project		\$15,000
TOTAL PROGRAM/PROJECT COSTS		\$4,995,800

Adapted from J. Phillips (1997). *Return on Investment in Training and Performance Improvement Programs*. Boston: Butterworth-Heinemann.

Table 1. e-Learning cost tabulation worksheet.

Results

Overall, the number of hours spent in training was cut from 105 hours to 49 hours per sales associate. Annual earnings show a revenue increase of approximately 13 percent. One-year tracking showed the following: Within a week after attending the sales academy, sales associates were contacting 10 new prospects and conducting needs assessment 80 percent of the time; the number of sales proposals that the sales associates generated based on those analyses within 30 days increased 22 percent; the number of new accounts open increased 32 percent; and the number of customers retained increased 8 percent.

Intangible results included customer satisfaction and retention. There was also a notable increase of motivation among the sales associates (table 2).

Level 4 Evaluation Item	Results
Hours reduced in training per sales associate	56-hour reduction
Annual revenue	13 percent increase
New prospects contacted	10 per week
Needs assessment conducted	80 percent of the time
Number of sales proposals generated based on those analyses within 30 days	22 percent increase
Number of new accounts opened	32 percent increase
Number of customers retained	8 percent increase
Dollars earned from new accounts	19 percent increase (\$20,000,000 to \$23,800,000)
Dollars earned from cross-selling	\$120,000,000

Table 2. Level 4 results of the sales academy program.

In terms of revenue earnings, the amount of dollars earned from new account sales increased 19 percent, from \$20,000,000 to \$23,800,000. The participants and their managers estimated that the revised sales academy contributed to 70 percent of the new account sales with a confidence level of 65 percent. The amount gained from cross-selling was \$120,000,000. The participants and their managers estimated that the revised sales academy contributed to 45 percent of the cross-selling earnings with a confidence level of 25 percent. The two revenue figures were converted to profit margin using a 30 percent margin rate, according to the financial averages of the company (table 3).

Hours Reduced in Training	Amount Saved	Isolation Adjustments	Final Result
56	\$3,124,800	70% Estimate 65% Confidence	\$1,421,784
Amount of <i>increased</i> dollars generated from new account sales	\$3,800,000 (\$23,800,000 - \$20,000,000)	70% Estimate 65% Confidence 30% Profit margin	518,700
Amount of <i>increased</i> dollars earned from cross-selling	\$120,000,000	45% Estimate 25% Confidence 30% Profit margin	4,050,000
TOTAL BENEFITS			\$5,990,484

Table 3. Benefits adjusted for isolation and confidence estimates.

$$\text{BCR} = \frac{\$5,990,484}{\$4,995,800} = 1.2$$

$$\text{ROI} = \frac{\$5,990,484 \text{ (Benefits)} - \$4,995,800 \text{ (e-Learning program costs)}}{\$4,995,800 \text{ (e-Learning program costs)}} \times 100 = 19.9\%$$

An ROI of 19.9 percent means that for every \$1 invested in the program, there is a return of \$1.2 in *net* benefits, after costs are covered. These benefits are representative of annual benefit, showing the amount saved or earned for 1 year following the launch of the e-learning sales academy program. The benefits will continue after the first year and are likely to increase in the case of this program. Although the impact sometimes decreases in traditional learning settings after the first year, this is not always true for e-learning programs. Given the upfront technology and development expenses in e-learning, the benefits may increase significantly after year one.

This case study shows annual benefits, but ROI practitioners should consider the multiyear impact of e-learning programs. Accountants frequently use depreciation and amortization to spread out the costs of assets during the years a company intends to use the assets. Companies often use a conventional straight-line method of depreciation, which depreciates the same amount of cost each year rather than depreciating more during the first few years after the purchase of a major asset. Overall, the straight-line method results in lower expenses, and, consequently, higher profits in the first few years after the purchase. Another method--particularly for technology investments--is the accelerated method. It is strongly recommended to partner with the financial analyst to follow the preferred method of depreciation. When considering long-term impact, the shelf-life of the e-learning program in its current format must be determined (Groppelli & Nikbakht, 1995).

Communication

Communication of the results is a critical step in the ROI process. It is also important to remember to customize communication according to the needs of the recipient. This particular

study required three different forms of reporting. Figure 3 outlines the medium and the target audience for communication of the ROI results from this study (Phillips & Phillips, 2001).

Communication Approach	Recipient of Communication
Detailed report of the ROI study	<input type="checkbox"/> Project sponsor <input type="checkbox"/> Project team
Executive summary	<input type="checkbox"/> Executive team <input type="checkbox"/> Program participants
Summary of findings	<input type="checkbox"/> Future participants <input type="checkbox"/> Future managers

Figure 3. Communication plan for evaluation reporting.

Lessons Learned

The process of designing and evaluating an ROI study is not all smooth sailing. In fact, there are several areas to highlight as lessons learned in the hope that other ROI practitioners can learn and avoid unnecessary work in their projects:

1. Get early executive support. The HR or learning group often feels ownership of employee development processes and is hesitant to let them be developed independently. Initial barriers occurred because of putting the project ahead of collaboration. Early partnership and consensus building is critical to the success of the project. Without the early and intermittent involvement of key business executives, the project is doomed to failure.
2. Partner with the financial analyst within the client organization. This partnership provides the ROI practitioner with a couple of advantages: First, it helps establish credibility from the CFO organization early in the project, and second, it helps the ROI practitioner learn about the preferred method of depreciation.
3. It is helpful if the project team is cross-functional. Early credibility suffered during this project because it was initially seen as another HR initiative. Create a Project team that comprises the right mix of functional representatives and skills to complete the study in a timely and credible manner.
4. Enlist an expert in the ROI process. Whether internal or external, these skills are a must for developing a credible ROI study. Without such expertise, confidence levels could weaken.

Questions for Discussion

1. What steps would you take to ensure executive support in your ROI project?
2. What accounting approach does your company take when calculating factoring the costs of assets during the years a company intends to use the assets?
3. Would you have shown the results in terms of annualized benefits from a single year or multiple-year results?
4. How could you ensure that you had the right mix of team members (skills and function) on your project team?

5. Are there other impact measures that you would have included in this study?
6. What would you have done differently in this study?

The Author

Lizette Zuniga is CEO of LCZ Integrated Solutions, a consulting firm focused on organizational improvement and accountability. With more than 15 years of professional experience, she has expertise in leadership and organizational development, culture assessment, program evaluation, ROI, and survey design. She has served as both an internal as well as an external consultant for *Fortune* 500 companies. Zuniga holds a master's degree in psychology from Georgia State University and doctorate in leadership and HRD from Barry University. She has contributed to the HRD literature by publishing several articles on leadership development and program evaluation. You may reach her at lcz_inc@bellsouth.net.