



Report on Application of the ROI Methodology for e-Learning Courses

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Edited by

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Title

Report on Application of the ROI Methodology for E-Learning Courses

Edition

CECOA – Centro de Formação Profissional para o Comércio e Afins
(Vocational Training Centre for Trade)

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1. INTRODUCTION

The *Report on Application of the ROI Methodology for e-Learning Courses* was developed under the Pilot Project ELQ-SME's - e-Learning Quality for SME's: Guidance and Counselling, supported by the Leonardo da Vinci Programme (PT/05/B/F/PP – 159116).

The main objective of Workpackage 4 – *Implementation and Evaluation of ROI Methodology for e-Learning* – is to implement/test and evaluate the ROI of e-learning in online courses aimed at SMEs, and to calculate the ROI for those courses.

Confederació de Comerç de Catalunya has carried out the *Report on Application of the ROI Methodology for e-Learning Courses*.

f-bb, University of Tartu, ProfitWise and NKI Fjernundervisning have tested the methodology in an online course . All partners have participated at the ROI calculation of those courses, providing inputs for the ROI calculation or providing their expertise at the ROI calculation.

The Implementation and Evaluation of ROI Methodology for e-Learning was carried out using the working version of the tools developed at 6 SME's in the trade and service sectors, and 2 large enterprises, one of each had piloted the ROI methodology in an e-learning programme with a target group of about 100 people, otherwise the other company has applied the ROI Methodology on costs for new e-learning educational programs

2. CHARACTERISTICS OF THE SMEs WHICH HAVE APPLIED THE ROI METHODOLOGY FOR E-LEARNING COURSES (WORKING VERSION)

The Implementation of ROI Methodology - working version - was applied by f-bb (Germany), the University of Tartu (Estonia), Profitwise (Netherlands) and NKI Fjernundervisning (Norway).

Description of companies studied:

Company 1

Partner Responsible	f-bb
Country	Germany
Activity	IT Enterprise
Brief description of activity	This IT enterprise offers a broad range of services and solutions, the most important being: - Monitoring Hardware: Comprehensive monitoring solutions to check environmental data, e.g., temperature at data-processing centres, racks, humidity and water leakage.

	- Server Housing & Internet Services: IT enterprise offering high quality hosting, personal service and individual solutions.
Number of employees	4
Person interviewed	Managing director
Experiences in continuous training	Further training is offered to employees as soon there is obviously a gap between their skills and the challenges they face at work. Training usually takes the form of traditional one- or two-day face-to-face courses.
Experiences in e-learning	They have also experiences with e-Learning, especially in Software courses. But there is no special course development for the needs of the enterprises; ready-made courses are bought from e-Learning providers.

Company 2

Partner Responsible	f-bb
Country	Germany
Activity	Lawyer's office
Brief description of activity	Firm offering legal services of all kinds.
Number of employees	4 partners (4 lawyers) and 6 employees
Person interviewed	Lawyer director
Experiences in continuous training	Further training is not provided regularly, but based on needs in the working life. Both lawyers and employees attend further training classes, usually up to one week a year.
Experiences in e-learning	They have rare experiences with e-learning. The market for legal trainings is still usually based on traditional training, through more offers based on e-learning are beginning to appear, especially for software solutions.

Company 3

Partner Responsible	University of Tartu
Country	Estonia
Activity	Research and consulting services
Brief description of activity	Company organizes applied research, consulting services and PR activities in the field of forestry management and protection, gathering and analysing forestry-related information.
Number of employees	32 employees
Person interviewed	Head Specialist
Experiences in continuous training	Most training courses carried out in the company are short time courses: with a duration of days or months.
Experiences in e-learning	Head specialist participated in University of Tartu web-based training course for work environment procurators.

Company 4

Partner Responsible	University of Tartu
Country	Estonia
Activity	Company sells first aid equipment, fire extinguishers, firefighting and rescue equipment and educational equipment.
Brief description of activity	Company sells first aid equipment, fire extinguishers, firefighting and rescue equipment and educational equipment. Company employees need training in the field of customer services, leadership, commerce and international trade.
Number of employees	7 employees
Person interviewed	Head of company
Experiences in continuous training	Company employees need training in the field of customer services, leadership, commerce and international trade. Company tested the ROI calculator with the training course "Joint market and international trade".

Experiences in e-learning	They have no e-learning experience.
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Company 5

Partner Responsible	ProfitWise
Country	Netherlands
Activity	Financial services and solutions for consumers and SMEs,
Brief description of activity	Risk Management: to decrease the chance of financial disasters. Finances: to help SMEs and consumers with a temporary need for liquidity.
Number of employees	The company has a CEO, a management team and about 50 employees.
Person interviewed	Human Resources Responsible
Experiences in continuous training	Training is offered to employees under governmental legislation and where there is obviously a gap between their skills and the challenges they face at work. Usually traditional one or two days face to face trainings are bought.
Experiences in e-learning	They have no e-learning experience.

Company 6

Partner Responsible	ProfitWise
Country	Netherlands
Activity	Insurance company
Brief description of activity	Insurance services
Number of employees	Over 20,000 employees. The target group for the e-learning programme tested is about 100 people.

Person interviewed	Human Resources Responsible
Experiences in continuous training	Training is done regularly but based on needs and feelings about how the job is going. Management as well as other employees attend further training classes, usually for up to two weeks a year.
Experiences in e-learning	They have extensive experience with e-learning. The market for insurance knowledge and management development is still usually based on traditional training, but the innovative character of the organization provides space for e-learning opportunities.

Company 7

Partner Responsible	NKI Fjernundervisning
Country	Norway
Activity	IT enterprise
Brief description of activity	The main purpose is to offer sensors, systems and know how for cybernetics, in commercial industrial applications, R & D, in space and for offshore gas/oil exploration and production. Another important field of operation is Shock and Vibration protection as well as Transport protection (Projects will in most cases be approved by DNV, BWB, DGA/DCN and others)
Number of employees	4
Person interviewed	Head of company
Experiences in continuous training	In order to have the necessary technological skills and knowledge of the advanced technological products sold and implemented by the staff of the company, all personnel are continuously doing courses to obtain the best qualifications.
Experiences in e-learning	These courses are related to the products of the company, and will take place as a combination of traditional on site courses and e-learning. Its an ongoing process, during the hole of the products lifespan.

Company 8

Partner Responsible	NKI Fjernundervisning
Country	Norway
Activity	Company specializing in electronic production of digital equipment to telecommunication and other data systems.
Brief description of activity	One of the divisions of the company is employment-recruiting division partly sponsored by the government program for persons not capable of full employment or persons on vocational guidance.
Number of employees	More than 400 employees
Person interviewed	Head of the production of the company
Experiences in continuous training	An important part of the government program is working experience alongside part-time educational programs from which the persons involved are expected to qualify for new careers. For the time being over 250 persons are participating on these employment programs.
Experiences in e-learning	All team leaders in the product line have to go through an obligatory one year e-learning program. 12 of the companies' team leaders fulfilled a one year's course in project management recently, and this autumn a group of 40 persons started on the same one year e-learning program. At the same time, other employees participate in different e-learning courses such as logistics and management.

The companies where the ROI methodology was piloted are 4 micro enterprises (up to 10 employees), 1 small company (with less than 50 employees), 1 medium company (with more than 50 employees) and 2 large enterprises

The choice of these large enterprises allows observing that ROI Methodology developed can be applied to greater enterprises too.

The companies piloting the methodology provide are engaged in the trade and service sectors - the law, data-processing, finance, insurance and forestry management - and electronic production.

Small and very small enterprises are those that normally have least resources to invest in their workers.

E-learning is an option that enables training to take place when and where it is possible and/or desired to avoid employee absence from the workplace, an essential condition in the case of small enterprises and, particularly, micro enterprises.

In all cases, the e-learning courses used to pilot the ROI methodology were based on standard e-learning solutions bought on the market.

The lower financial resources available to smaller companies, and the lack of personnel specialising in training to manage the learning development of SME owners and employees make it unfeasible to develop a specific programme to cover their needs, and this leads them to use e-learning courses offered on the market and which are often not adapted to their real needs.

The chance of using a tool like the *E-learning calculator for SMEs*, which computes real return on invested course costs, can help to encourage such companies to invest in quality training activities.

3. CONDITIONS OF APPLICATION

For the Implementation and Evaluation of ROI Methodology for e-Learning Courses have been carried out interviews with responsables of the selected enterprises with the object of providing feedback about the ROI methodology testing for e-learning environments:

To apply and assess the ROI Methodology for e-learning Courses, business owners and directors at the selected companies were interviewed, and the *ROI Methodology for e-learning Courses (working version)** was used.

Interviewers used the methodology developed, accompanying business owners and training managers throughout all the stages in the process.

To apply the methodology, the interviewer / training consultant is provided with a set of guidelines of the ROI methodology for the e-learning environments:

- The guidelines of the ROI Methodology for e-Learning courses
- ROI Methodology Tools for e-Learning courses
 - Questionnaire ROI Trade and Services Sector
 - E-Learning Calculator for SME's of the Trade and Services Sector

The guidelines for the ROI Methodology for e-learning courses provides support for training consultants, training organizations and e-learning providers to prepare SMEs entrepreneurs in the trade and service sector to measure and evaluate the return on e-learning investment throughout all stages in the training programme, from initial contact with e-learning, demonstrating how e-learning can add value to the SMEs business and can be beneficial to the company, to the final presentation of results obtained from the successful training activity.

To assist in developing this process, the “**ROI Methodology for E-Learning Courses - Working Version**” includes two essential tools designed to help the SME manager, owner or entrepreneur take decisions over the company's training need, showing how e-learning can provide an appropriate solution, with a return on investment higher than in other types of training.

* See *ROI Methodology for e-learning Courses (working version)* and *E-learning calculator for SMEs* in the project website http://www.nettskolen.com/in_english/elq-sme/ (Work Package 3)

The final template enabling us to obtain the ROI for tradition training and e-learning courses shows that the e-learning solution can be more cost-effective than traditional training.

These tools are:

- Questionnaire ROI Trade and Services Sector,
- E-Learning Calculator for SME's of the Trade and Services Sector

The E-Learning Calculator for SME's of the Trade and Services Sector **tool enables us to calculate the return on investment, comparing the profitability of traditional training and e-learning.**

The ***e-learning calculator for SMEs*** uses the Microsoft Excel programme as the support. This programme is widely used by SMEs, making it easier for the final user to adopt: just enter the data and the calculation is made automatically.

Applying these tools at the planning stage for training – before courses begin – encourages the implementation of e-solutions by SMEs, demonstrating the suitability of such systems and the real cost advantage that can be obtained from using E-learning applications, and making full use of their potential contribution to overcoming obstacles to participation in e-learning.

The ROI Calculator could be a decision-tool for course participation for employer/director.

The E-learning Calculator for SMEs in the Trade and Services Sector can be employed not only at the stage prior to training as a marketing tool – enabling the return on the training investment to be calculated in advance – but also at the end of the training programme to verify the real costs and benefits of the training provided.

4. CONTRIBUTIONS OF SMEs TO THE ROI METHODOLOGY: CHANGES, MODIFICATIONS, ADJUSTMENTS

Using the ROI methodology enables companies to calculate their investment in training accurately and efficiently.

Company owners and managers found this a new and interesting way of calculating continuous training costs – both traditional and e-learning training – and expressed their intention of using the tools for future courses.

Generally, SMEs do not think (though they should) in terms of how much sales or efficiency will increase once a course has been completed, and they often fail to assess how new skills will be used in the workplace.

However, using the ROI methodology and the calculator has led them to think about how they use training at their company and how they can obtain increased return on their investment even when – as we shall see later – they encounter certain problems in working with different concepts and attempting to calculate estimates. This is due to lack of experience and to the difficulties entailed in working with terminology more appropriate to experts in training than to the owners and managers of small businesses.

The final version of the products developed should take these problems into account, and it should be adapted to suit the characteristics of final users. It would be a good idea to include examples in order to make certain concepts clear.

On the other hand, as the insurance company can provide a lot of numbers it was rather easier to make a calculation based on the factors that influence the result.

Another aspect that differentiates between small and large enterprises is that the latter have greater financial resources to devote to employee training, enabling them to set up specific e-learning programmes for their specific needs. In the case of companies (for two of the companies analysed) with higher numbers of employees studied, the consequence of applying the ROI methodology is that they adopt the solution of developing tailor-made e-learning programmes. Indeed, they both decided to buy e-learning modules specifically designed for them.

Application of the ROI methodology by the companies studied enables several factors to be observed that make it difficult for SMEs to adopt e-learning solutions:

- SMEs lack information about e-learning solutions designed for them;
- Micro and very small enterprises in general are not in the habit of evaluating in-house training nor calculating the financial benefits that training brings to the company, nor the return on investment made in training;
- The lack of a training director or advisor to guide micro and very small enterprises about training in general and e-learning in particular, informing them about the potential advantages to a micro enterprise of online training, its real costs, specific programmes adapted to the training needs of employees at micro enterprises... also makes it more difficult for this training option to be adopted;
- The lack of ICT skills at some SMEs also acts as a barrier to online training;
- The company do not produce our own e-learning courses (it is not useful for small company), but the e-learning providers do not offer the e-learning courses they need;
- Their lack of financial resources means that tailor-made e-learning products are not developed for SMEs;
- Difficulty of concentrating on studies when training is provided in the workplace;
- Another problem is that at some companies' employees prefer to participate in traditional courses for several reasons: in face-to-face courses they can communicate face-to-face with colleagues from other companies, have parties, enjoy a break from everyday work, etc.

The ROI Methodology for e-learning courses helps to encourage company interest in such courses by:

- Providing a comparison between the benefits of traditional training and e-learning;
- Showing, through the results obtained from the e-learning calculator, that the ROI for e-learning is higher than that obtained from traditional training;
- E-learning solutions are widely believed to be expensive, but objective comparison with traditional training shows that an e-learning product is less expensive in the end, and the results are estimated higher because the training interval can be shorter over a longer time;

- Costs for absence from the workplace, subsistence and travel are lower;
- If the e-learning solution is based on content offered in small learning content blocks, then the difficulties of studying in the workplace decrease considerably;
- It helps the SME entrepreneur, manager or owner to take decisions over training;
- It provides a series of tools to help the SME entrepreneur or manager throughout the training process, from determining the company's training needs to assessing the benefits gained from the training once completed;
- E-learning solutions based on small learning content blocks facilitates training in the workplace;
- Using ICT in training assists with the introduction of the new technologies for work activities at SMEs.

5. MAIN PROBLEMS/DIFFICULTIES ON THE USE OF ROI METHODOLOGY

The target group interviewed – SME owners, managers and directors – are not experts in training, and therefore experienced difficulty in handling certain concepts, both in the questionnaire and the *e-learning calculator for SMEs*.

The aspects that cause most problems in the **questionnaire** are questions 4, 5 and 6, which should be changed in the final version to adapt more to the characteristics of the target group of end users:

4. What part of the needs are on the level of knowledge and insight?
By determining the knowledge and insight needs you have determined the field of solutions that can be provided by e-learning.

5. How much provides the e-learning solution to the determined business goals?
(Expressed in an percentage). This is the so called isolation stage.

6. What will be the probability percentage that the result will be realized?
This is the probability stage.

For a very small enterprise and a managing director who usually is not specialised on training it was difficult to tell what parts of the needs were on the level of insight and knowledge and especially how much the e-Learning solution provides to the business goals.

In the **e-learning calculator for SMEs**, the business people contacted had problems with indicators 14 and 15 – on cost of absence from work – and with the items including estimates:

- Cost of absence from work, % of total wage costs - traditional course
- Cost of absence from work, % of total wage costs - e-learning program
- Expected growth in sales or increased efficiency - per course-participant - after completed course
- Estimated growth in sales / efficiency due to studies

An additional problem to the difficulty of estimating cost of absence from work is related to the economic sector in which the SME operates: whilst in the case of small trade sector companies absence, from work translates, at least, into sales not made, in the case of SMEs in other sectors, the work not done is usually made up by the worker him/herself on returning to work, rendering this indicator inoperative.

On another point, one manager interviewed pointed out the problem that workers prefer face to face learning to e-learning for various reasons: in traditional training, they can communicate face to face with colleagues from other companies, go out together, enjoy a change from everyday work, etc.

6. CONTRIBUTIONS OF PARTNERS TO THE ROI METHODOLOGY: CHANGES AND ADAPTATIONS DURING THE APPLICATION

What was really interesting to see was the fact that even with smaller training units and low or no costs for travel, accommodation and subsistence, e-Learning solutions are less expensive. This is more or less the result of the fact of percentage “costs of absence from work”.

E-learning that takes place outside work times – as is the case on several occasions – also helps to reduce business operating costs.

The ROI Calculator could be a decision-tool for course participation for the employer / director, measurement of expected results and control of results achieved by the e-learning program participants.

Comments were also made to the fact the absence from office may not necessarily mean that the course participant is not accessible. For instance, via Notepad with e-mail communication as well as phone and SMS.

Regarding the difficulties of making calculations and estimates referred to above, the following changes are suggested:

- Instructions should be provided on how to estimate and calculate costs of absence from work - indicators 14 and 15 – as businesses find it difficult to do this. The unit of time to be used to calculate these costs (per month or per year) should also be specified;
- The expression “Expected growth in sales or increased efficiency - per course-participant - after completed course” should also be explained. It is difficult to calculate increased sales obtained thanks to a completed training course. Moreover, in some cases, the objective of the training course is not only to increase sales but also, for example, to motivate workers;
- On another point, Indicator 14, “Cost of absence from work, % of total wage costs - traditional course”, should be included in the “Traditional courses” block of indicators;
- In the final version, the number and order of the indicators should be changed: in the calculator working version, that are two indicator number 9s, and Indicator 14

will also change number when its place is changed. These changes should be made both in the ROI Methodology for e-learning courses (working version) and the e-Learning calculator for SMEs in the Trade and Services Sector (working version).

7. RESULTS OF ROI METHODOLOGY/INSTRUMENTS TESTING

The fact that the *e-learning calculator for SMEs* is supported by the Microsoft Excel programme, widely used by SMEs, encourages its use by end users. Company owners and managers can enter data, and the calculations are made automatically.

In all cases of SME's studied, there was one course per year, with a number of participants between one and five. The period the educational program will run for is, in all cases, one year.

The indicators for the costs of traditional courses reflect the characteristics of each course and vary from company to company. Two types of course are identified: those that take place outside the company and/or outside the urban environment and which entail travel, subsistence and accommodation costs, and those that take place at or near the company or at the participants' homes, without incurring such costs. As the cases presented show, economic comparisons with the cost of e-learning courses varies enormously according to which of these two types applies.

Indicator 14, "Cost of absence from work, % of total wage costs - traditional course" should be included in this group. It is a cost that the businesses contacted have difficulty in establishing: in two cases, the cost was put at 0%, as the employee made up lost time on returning to work.

The indicators for the e-learning courses are, as in the previous case, easy to answer, with the exception of Indicator 15, "Cost of absence from work, % of total wage costs – e-learning program", which presents the same difficulties as in the case of traditional training (Indicator 14).

Costs for absence from work are very similar for both traditional training and e-learning, though a slight decrease is noted in the case of e-learning. This is attributed to two factors: that fact that there is no travel time to take into account and the fact that training takes place outside working hours and therefore does not represent a cost to the company.

Indicator 9, "Total costs of traditional program development per course", and Indicator 12, "Total costs of e-learning program development per course" were, in all cases, €0: as mentioned previously, small companies purchase training courses from those that exist on the market.

Regarding the item "Expected growth in sales or increased efficiency - per course-participant - after completed course", the opinions gathered indicate the difficulties experienced in quantifying this.

The comparison between the costs of traditional and e-learning courses reflects the saving the e-learning solution presents with regard to traditional training.

As mentioned, the higher the travel, subsistence and accommodation costs (i.e., face to face courses given far from the workplace and/or home) and costs due to absence from

the workplace represented by face to face training, the higher the savings offered by e-learning.

Regarding calculation of the ROI, we find in all cases studied that “estimated growth in sales/efficiency due to studies” is the same for traditional training as for e-learning, except in one case in which the percentage for the e-learning course is slightly lower, explained by the fact that the efficiency of e-learning in the workplace decreases due to the difficulty in concentrating.

Companies surveyed find it difficult to establish these percentages, which are essential for calculating the ROI.

The factors that make it more difficult for SMEs to use the ROI methodology include the following:

- SMEs entrepreneurs, owners and/or managers need to learn to apply the ROI methodology;
- They need cooperation from a training consultant/provider to clarify the concepts they have most difficulties with, a need that becomes all the more apparent during the first times they use the ROI methodology;
- SMEs should be aware of their internal organizational changes, making it the rule to systematically compile the data necessary to carry out the ROI calculation before, during and after training;
- Usually SMEs don't develop reports, although they must, about return of the employees, before/after of training;
- Other factors/processes may influence the worker's performance at work after training, and it may be difficult for the SME to delimit the effects of the programme;
- Difficulty for SMEs to determine how much the e-learning solution contributes to achieving business goals;
- When calculating the ROI, confidence needs to be placed in estimates, and adjustments should be made to take into account error in the estimate process.

The aspects that encourage the introduction of the ROI Methodology include the following:

- The ROI Calculator is a very useful tool for implementing and evaluating e-learning courses;
- The ROI Calculator might probably be implemented as part of the company's decision-tool for choosing courses in e-learning;
- The ROI Calculator could be an important tool to answer questions about success ability and the economic value of the programs;
- It is a method for evaluating return on investment in training whilst, at the same time, it compares the return from traditional training and e-learning;
- In all cases studies, the ROI is higher for e-learning than for traditional training;
- It demonstrates the added value of training for the company;

- It is a methodology based, principally, on objective, quantifiable data that is easy to convert into monetary values;
- It is a gradual process that guarantees results in terms of reliable data;
- It is based on data, most of which can be obtained easily;
- The e-learning calculator software is easy to use;
- The estimates, which are the weakest part of the ROI methodology, are corrected for risk of error when applied;
- It enables the impact of training and the benefit to the company to be evaluated in monetary terms;
- Applied before training activities begin, it predicts the return on the investment in the planned programme;
- Applied at the end of the training programme, it enables real costs and benefits to be calculated.

8. CONDITIONS FOR THE TRANSFERABILITY OF RESULTS

It's possible to consider that the elaborated products could be transferred to different sectors of the economic activity easily and specially to small and very small enterprises because the ROI calculation is based on the same basic concepts. It might also be useful for bigger companies.

The different economic sectors in which companies have piloted the product – trade, services and others – demonstrate that the methodology can be used in different sectors, so transferability to at least enterprises operating in this sector can be assumed.

9. APPLICATION IN OTHER SITUATIONS (THE INTENTIONS OF SELLING THOSE PRODUCTS OR OTHER SUGGESTIONS)

The target group for this product may be the training departments of state and local administrations, business organisations, unions, chambers of commerce and training consultants, providers, etc.

Nonetheless, the experience acquired through applying the tools leads us to conclude that there is a difficulty in selling a product of these characteristic due to lack of knowledge about the advantages that e-learning can have over traditional training.

At present, it does not seem that SMEs are interested in purchasing a product of these characteristic.

We need to make an effort to show final users SMEs the advantages of using the ROI as a method for promoting the value added that e-learning can generate, and the advantages of using the ROI methodology as a quality management tool.

Moreover, perhaps the same questionnaire can be used for marketing and communication actions.

Comments were made as to the availability of The ROI Calculator on the partners' web site, and the application of similar calculator on other related fields.

CONCLUSIONS

The ROI Methodology and the E-Learning Calculator for SME's – Working Version – have provide to be an extraordinarily useful tool for SMEs, particularly for very small enterprises and those with no management department specialised in training, one that provides both an instrument for calculating return on investment in training and encourage reflection on the usefulness of the training their employees undertake, and how they use their new knowledge and skills in their day-to-day work.

It is, therefore, a tool that enables SMEs in the trade and services sector to calculate ROI in a simple way, using indicators that are, for the most part, easy to determine.

The ROI methodology offers an innovative element to SMEs as, for the first time, it presents a systematic way of comparing return on investment in traditional training and e-learning that can be used before and/or after the training activity.

Comparing the costs of traditional training versus e-learning may help to promote the use of the latter in in-house training at SMEs in the trade and services sector.

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Education and Culture

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Pilot projects

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