The real costs of E-learning: In-house vs. Outsourced

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Introduction

Digital transformation is the new normal for Learning and Development (L&D) teams around the world. With a need to take learning online to stay up to date with trends, an unfamiliar territory for many, the speed of business can prevent L&D teams to keep up with learning needs.

Organizations want L&D to deliver knowledge and skills that make workers better at their jobs. So, if e-learning does not improve job performance, most organizations do not want to invest in it. Therefore, it has become vital for L&D to be mindful and strategic with their spending.

When there is high demand for training content and limited internal resources, many organizations turn to external content creators. While this is an effective short-term solution, organizations may be faced with the question of whether outsourcing is both sustainable and scalable for the growing training needs.

Consider the real-life debate of buying your food vs. growing your food. While buying food is quick and easy, it is not always sustainable, it can cause health issues, and it can often be expensive. When considering growing your own food, it is sustainable, healthy, and less expensive.

When discussing the creation of learning content, outsourcing (buying food) can appear to be the quick and easy fix. In the long-term, however, this solution can become expensive and cumbersome, establish in the beginning, is a more sustainable and inexpensive solution in the long-term. In this e-book, we will dive into the benefits of creating content in-house over outsourcing, and challenge the perceived benefits of partnering with external agencies.

Section 1

Creating e-learning costs (a lot of) money

Creating e-learning can cost a lot of time and money. Research by Kapp and Robyn Defelice shows that it can take between 90 and 240 hours to create just one hour of e-learning material. In 2019, Raccoon Gang reported that the average cost of creating one hour of e-learning can range from $8,800 to $28,640.

But this is only half of the story. E-learning costs do not go away once a course has been published. To keep up with a rapidly changing world, it is important to continue updating learning content. While this can mean more time and costs upfront, it is a valuable investment to make to keep content relevant and useful.

Now the question is: How do you create learning content that justifies the investment of both time and money?

Justify the costs with the value created

According to a report by Panopto, about 60% of employees find it hard to obtain the necessary information to do their jobs. Similarly, employees also spend 5.3 hours a week waiting for information. The key takeaway here is that employee productivity can increase significantly if they are presented with accurate information at the right time. Imagine being able to calculate the value of adding two or more productive hours a day to each employee. From our perspective, that can outweigh the actual cost of e-learning. So, when considering the cost of e-learning, it is important to look at it through **'the value-lens'**, and ask yourself "what additional value does this bring?"

Outsourcing learning content: is it a good idea?

When justifying the costs of e-learning with the value created, let us take a look at the perceived advantages of outsourcing course creation and evaluate them through 'the value-lens':

1. **Access to a pool of experts**

When you outsource content development to external partners, you get to work with training and instructional design experts. Often, they have a large amount of resources, tools, and techniques that make it easier to develop learning content.

The down-side (through the value-lens): Though they are experts in the field of course creation, they are not experts on your business.

External learning partners lack the knowledge that is unique to your organization to effectively keep up with the large amount of training requests. This knowledge is often only found in niche areas of the business. As a result, L&D teams turn to subject-matter experts (SMEs) to provide the knowledge. Because external learning partners do not typically have direct access to these SMEs, it slows down the process and increases dependencies.

With this constant disconnect between business and learning, it can be easy to burn a big hole in your L&D budget.

2. **No Long-Term Commitment**

External partners, or experts, are hired on a on a project basis. These experts get the job done, then no longer need payment when it is completed. Only the hours worked on a particular project needs to be re-imbursed, which can save money in the long run by not needing to pay for personal or long-term employment costs.

The down-side (through the value-lens): If the external expert leaves or the contract expires, the effect can be similar to if an internal expert left the company. By retaining internal employees with specific knowledge, you can avoid the cost of knowledge loss. In a similar sense, if an external expert ends the contract, the loss can be even higher. This is the result of training and onboarding. It takes a lot of time to onboard a new partner and educate them on the organizations mission. Therefore, not only is knowledge loss, but time and money are lost having to re-train a new expert.

3. **Faster Turnaround Time and quicker development**

Depending on your partner, outsourcing e-learning creation can have faster turnaround time and quicker development compared to in-house.

The down-side (through the value-lens): It is true that the initial creation of the content can be faster, since external partners are often experts in the field of e-learning creation, but this is only considering the actual development of the course. It is important to take into account other steps in the process such as the input sessions, review session, and updates when calculating the turnaround time for your courses. By keeping everything in-house, the overall process can actually be much shorter and more effective.

4.

High quality content

By having expert e-learning designers create content, the quality of the content will generally be good and consistent.

The down-side (through the value-lens): Today's business functions are constantly changing, requiring employees to learn, unlearn, and upskill at a rapid pace. As a result, courses become outdated quickly and need to be updated and changed on a regular basis.

For each update, SMEs in the business need to provide input to L&D as they often have the most relevant and up to date knowledge. L&D, therefore, becomes the middleman between the SMEs and external partners, This requires constant back-and-forth communication between all three parties, prolonging the process.

5.

Improved learner engagement

An expert e-learning designer understands learner behaviors and designs highly engaging training experiences.

The down-side (through the value-lens): Topics such as leadership development and soft skills require courses that will keep learners engaged and effectively teach complex concepts. While this is something that external partners can help with, skillfully created courses is only a small part of the puzzle.

If we think about the fact that business are changing fast and learning needs to be updated constantly, then it is important to consider the questions: Why invest in highly interactive courses when the content is bound to change? And should we recreate the course if we want to update the content?

According to a recent trend in remote working, the new norm of engagement is supporting employees with the information they need in the flow of work. This can come in a few forms, but the overarching theme is that it is accessible and digestible in a short amount of time at the right time. Workers feel engaged when they are supported at their time of need, and a skillfully designed formal course cannot always fulfill this.

6.

Lower costs

By virtue of being experts in the field, most external partners are equipped with the latest technology to produce e-learning content. This usually saves a significant amount of time and money in learning and investing in instructional design tools. Resulting in more costs with an external partner. If the tools are hosted internally, however, then publishing the courses can be a straightforward process because the technology is familiar and tested.

Additionally, by creating content in-house, you can have oversight into all expenses and do not need to worry about hidden costs.

Checklist to assess e-learning costs

How much does it cost to create an e-learning course? This depends, as every organization has a different set of learning needs. There are a number of factors to consider when calculating the cost of an e-learning course, including the people involved, the content developed, tool licensing fees, and more. But, there are a few additional questions to consider when working with external partners. Below, we have outlined a some of these questions to ask along the way as you develop the content and consider the costs. We have also highlighted the additional factors to take into account when working with external partners:

1. Discovery phase:

This can be seen as the planning phase. At this stage, you should be figuring out what content needs to be created. It is important to consider the different methodologies and you want to include and the resources needed to share the content with your learners.

What kind of content is needed?:

- Where are there knowledge gaps within the organization?
- What kind of content is required to fill the skill or knowledge gap? (This can be in the form of courses, workshops, coaching, repurposing existing content, and more!)

Who are the learners?:

- Who is the audience for the course and how will you reach them?

How many people and how much money?:

- How many people will this course reach?
- How much budget can be allocated per activity?

> **Additional point for outsourcing:**
> If you only have a certain budget allocated, it might be difficult to have complete oversight and control of this.

When will the training need to be available?:

- Will your team need time to familiarize themselves with the new online training tools?
- How much time should you set aside for online training development?

> Outsourcing can take significantly more time with the communication needed. Be sure to take the time (in turn, additional costs) into account.

Where will this content be shared?

- Where is the learning / training going to happen? (Offline or online)

2. Design:

In this phase, it is important to think about the design of the course and the different elements that should be included. Consider the experience you want learners to have throughout the course, and how the course will come together.

How much planning and storyboarding is required for the course?
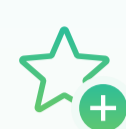
If there is a lot of planning and storyboarding that will go into the course, be prepared for extensive meetings and communication with external providers. In addition, hidden costs might come up in this stage for planning.

What elements should be incorporated in the course? This can be anything from content types to graphics and interactive elements.
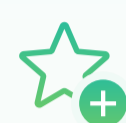
The more elements you want to include in your course may mean more design time and higher costs.

3. Development:

This is the phase were the course actually comes together. It is important to consider the platform on which the course will be created, who will be involved in the creation process, and the timeline.

What e-learning authoring/hosting tools are required to be able to develop the learning content.

Which stakeholders and users will be involved in the creation process? Take into account their payroll hours. Their time equals money.
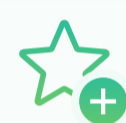
This may require more of the stakeholders and users time due to the extensive back-and-forth with the external provider.

What is the timeline for the creation of the course?

As discussed in the beginning of the e-book, working with external providers can take considerably more time. Consider the loss of time and money associated with these long wait periods.

4. Delivery:

Which tools are required to host the content?

To host the courses, a learning platform is often required. Be prepared for additional costs here.

Do learners know how to log into the platform where the course is shared?

If there are any technical difficulties with the course, learners may have to contact the external partner. To enable this communication and get problems solved, it can often take quite a bit of time.

What details are important in results tracking reports?

What level of security is expected from the tool?

If it is highly confidential content, it can be difficult to have oversight and control of the external partner's processes. Loss of important information can mean loss of money.

5. Evaluation:

Does the e-learning tool provide basic usage details and learner's results?

Are the learners successfully completing the course and retaining the knowledge provided?

> If this is not the case, then it is important to look back at the course to understand what needs to be changed. If it is minor changes, having to go back to the external partner to make changes might become a bigger task than needed and cost more time and money.

6. Maintenance:

Does the content require periodic maintenance and updating?

> Similar to what was mentioned, if the course needs to be changed or updated, working with an external partner on this can require additional costs.

As demonstrated above, there are a number of additional factors and questions to take into account when estimating the costs of creating an e-learning course with an external partner. These questions should serve as a guide to estimate the costs. Though it is not all-inclusive, it highlights the key points to consider, and how working with an external partner can include additional and hidden costs.

Benefits of in-house creation

While we have discussed some of the potential "down-sides" of creating course content with external providers, we will use this section to discuss the benefits of creating learning content in-house. Below is a list of benefits:

Better oversight into the content process and control of the budget

An in-house L&D team has a better understanding of the organizational needs and limitations than an external partner, which directly translates into awareness about timelines, budgets, processes, practices, and deployment. An outsourced team might excel at content creation, but this is just the first step in the process. In-house teams, however, are well aware of the end-to-end process and have more control on the content, timelines, and costs.
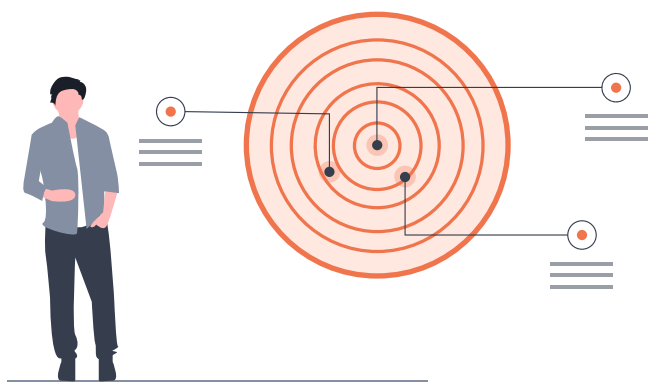
Training needs can be fulfilled by the experts themselves

Not all training needs are best fulfilled by formal course. Sometimes a quick checklist or step-by-step guide can provide the employee with the necessary knowledge. This need can easily be fulfilled by someone in-house with the particular knowledge. If sent to an external provider, this can not only take a lot of time, but might result in a formal and extended course that is unnecessary for the need.

Enhanced security and data confidentiality of sensitive information

Data confidentiality is a non-negotiable reason to develop content in-house. Despite any number of SLA's, it is still difficult to ensure the safe-processing of sensitive data with external providers. An in-house L&D team can simply focus on content creation without taking any additional measures to maintain security and confidentiality.

Easier and quicker maintenance of content.

Changes and updates are part of the content cycle. When working with an in-house team, these updates can often be done instantaneously and without the need for back-and-forth with external providers. This internal maintenance saves a lot of time and effort, making it a simpler and quicker process to keep content up-to-date. For large companies especially, content can be edited at a local level rather than going through an external vendor or central department.
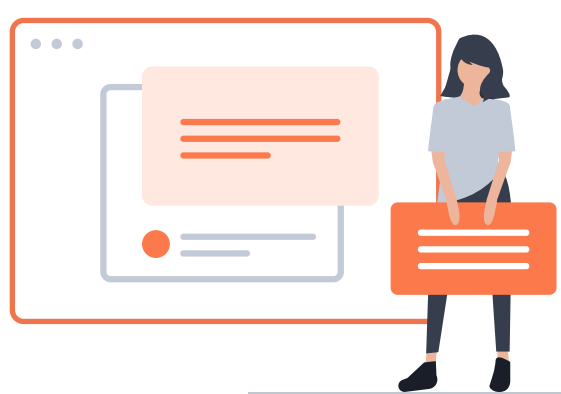
Content can be developed faster with easy-to-use tools

By equipping your in-house team with easy-to-use content creation tools, the entire development cycle time is reduced. These tools are generally intuitive to enable teams to generate interactive content for every learning need easily and without training. When working with external providers, development times can be prolonged with the extensive exchange.

Below, we dive deeper into the ways to start creating content in-house by leveraging employees and internal resources.

Section 5

Employee-Generated Learning: The in-house solution to cost savings

At Easygenerator, we want to change the way we look at creating content in-house. Our solution is a bottom-up learning approach called Employee-generated Learning (EGL). With EGL, any employee, whether a trainer, subject-matter expert (SME), or L&D expert, can create and share specific knowledge with their teams.

Instead of working with external providers, employees can serve their fellow colleagues by creating content themselves. This can speed up the circulation of knowledge throughout the organization and save L&D time and money by not having to work with external providers. In turn, L&D can take on a more supportive role, providing the necessary infrastructure and guidance to empower employees to create learning content.

The quick start to Employee-generated Learning

It is important to note that the idea behind EGL is not only to enable SMEs to share knowledge and expertise, but also to empower non-technical trainers to share knowledge and create learning content. Kasper Spiro, CEO of Easygenerator, outlines different dimensions of EGL as below:

- Enables SMEs without a didactic background to create learning resources

- Enables trainers without an e-learning background to create learning resources

- Enables training teams to create/update training content internally and not outsource it to external vendors

- Enables anyone to create e-learning resources without having to worry about complex interactions or design standards

- Enables anyone to share knowledge and turn it into learning resources

EGL is an in-house, employee-driven, and cost-effective approach that saves the money and efforts of L&D by not having to work with external providers. Looking through the value-lens mentioned in the beginning of this e-book, it is the most effective way to bring content creation in house to save costs and create value in the business.

BHP | Case Study: BHP

How BHP leveraged Employee-generated Learning to bring content creation in-house

It is important to note that the idea behind EGL is not only to enable SMEs to share knowledge and expertise, but also to empower non-technical trainers to share knowledge and create learning content. Kasper Spiro, CEO of Easygenerator, outlines different dimensions of EGL as below:

☆ Background:

Rob Jack is Principal of Risk Culture and Capability at BHP. He works alongside five colleagues in the Risk Strategy and Development team. The team is part of a larger 60-person global Risk team at BHP. Together, their mission is to support and verify risk management activities across the company and give assurance to the Board and senior management. It's up to Rob and his colleagues to ensure consistent risk knowledge and capability across the company, which is mandatory for thousands of Risk Owners and Control Owners globally.

Problem

BHP's Risk team relied heavily on external learning vendors to create risk-related learning content for the global team. The Risk team would write the content themselves, distribute it to external vendors to create the training material, then upload the training into their central Learning Management System (LMS). Outsourcing course creation to third-party e-learning vendors was too slow, too expensive, and inflexible.

"We could easily have spent AU$500,000 on risk-related training in the past few years. We had a threshold where we needed to change the framework, and we didn't have the money to deliver the associated training."

Every little change needed to be discussed and signed off, before being sent to the vendor. By the time this whole process played out, the content was often out of date. When BHP launched its new risk framework, Rob and his team knew it was time to update their approach to creating and managing learning content. The new framework provided them with specific learning requirements that needed to be carried out across the company's global Risk team. With several learning modules catering to different employees' needs, Rob and his team knew they needed a cost-effective way of maintaining a large volume of content.

💡 Solution

To fulfill these learning needs, Rob and his team turned to microlearning and empowering internal trainers to maintain the amount of learning content. Using Easygenerator as an experiment at first, the team quickly realized how they could make their training engaging and effective by creating content in-house. Rob and his team could cater to each learner's individual needs, based on their background knowledge and location. And without needing experience to create learning content in Easygenerator, Rob and his team could produce new learning material within days, while it used to take months.

"It's really easy, I built a microlearning piece that I had in mind within a matter of days."

BHP's risk team had more freedom in creating, editing, and localizing learning content. They could successfully offer learners a more personalized and accessible learning experience with microlearning modules, while also cutting costs.

⚑ Result

By turning to Easygenerator to create content in-house, the BHP Risk Strategy and Development team is more flexible than ever when it comes to creating learning materials. Due to the level of personalization the team can achieve with their courses, there has been a boost in learner engagement. Even better, Rob no longer must spend AU $100,000 on a third party to create a 60-minute video. This has saved BHP over AU $250,000 on their course creation by developing modular microlearning with Easygenerator.

"We could easily have spent AU$500,000 on risk-related training in the past few years. Currently, we're on track to spend less than $100,000 to build all the componentry we need."

How is Employee-generated Learning the most sustainable solution in the long-term?

Given its organic and democratic nature, Employee-generated Learning (EGL) is a constant in changing times, technologies, and trends. EGL is rooted in the theories of Social Learning and Communities of Practices, which have always prevailed as important ideologies in the workplace.

Below we have outlined a few proven benefits associated with EGL and using it to create content in-house in the long-term. Though they may not be immediately felt in the switch to in-house content creation or EGL, these benefits demonstrate the longer sustainability of the approach.

- **Speed of business**

  EGL enables employees to share their specific knowledge in a continuous cycle. This results in an up-to-date knowledge pool. These knowledge pools of information can help other employees to keep up with rapidly changing business demands.

- **Regional requests**

  L&D teams can leverage EGL by offering regional departments the opportunity to create their own learning solutions and share region-specific knowledge. Instead of needing to turn down training requests, L&D teams can offer a well-supported solution to help fulfill these requests while maintaining focus on global initiatives.

- **L&D's shortage of essential, up-to-date knowledge**

  L&D's lack of knowledge to create specific learning content is no longer a hurdle since employees are empowered to fulfill their own training needs. Instead of creating content themselves, L&D can guide SMEs and review their content to ensure quality. To start with this process, L&D can serve as a strategic consultant, activating a network of SMEs and supporting them to create the right content.

- **Time-to-market**

  By putting content creation in the hands of employees, the SMEs, courses can be created faster and more effectively. There is no longer the need for extensive exchange with external partners for L&D to share information and knowledge. By limiting these dependences, content can be created and shared at a much faster rate. As a result, more content and knowledge is available within the organization.

- **Budgets**

  With EGL, everything is kept in-house. This is especially important when updates and changes need to be made to a course. When working with external partners, the updates can result in additional costs. When the content is created and hosted internally, however, updates can be made without any costs and by employees in the time of need.

- **SME-led training**

  EGL empowers SMEs to create training content for anyone in the organization to access at any time. When training on a specific topic is required, instead of having the SME invest hours of their time for a one-on-one session, employees can access the training content when they need it and on their own time.

- **Do more with less**

  L&D can now accomplish more. Once employees are well trained in creating their own content, L&D can take a more supportive role. Not only does this help to manage workloads more efficiently, but it can also allow for more focus on strategic training projects.

T⋅⋅ ⋅ | Case Study: T-Mobile

How T-Mobile expanded the reach of Employee-generated Learning (EGL) to increase the impact of L&D teams

Another client of Easygenerator's, T-Mobile, is a global mobile telecommunications brand. Active in 6 countries worldwide, the company has over 44.000 employees. While the L&D department was already fulfilling learning needs in-house, they chose to expand the creation of learning content even further to SMEs (the long-term solution for EGL). This has allowed the L&D department to focus on other initiatives, creating a more sustainable learning environment.

☆ **Background:**

Dennis Mooldijk is a training specialist at T-Mobile. His responsibility is fulfilling training requests ranging from product training, compliance, and code of conduct training to partner training (reseller product training) and work instructions. In the fast-paced and competitive telecom industry, there are ever-growing learning requests.
T-Mobile's L&D department, however, faced a significant reduction in resources. How could Dennis fulfill increasing numbers of training requests with fewer L&D staff?

⊐ **Problem**

T-Mobile's situation is very common in the learning and development field; budget cuts had reduced the L&D team from 14 trainers to 4, whilst the demand for training kept increasing. Training requests were accelerating because new products were being launched rapidly. Staff cuts forced the L&D team to reject training requests. Dennis realized that the L&D department alone would never be able to meet the high demand for training resources. Training requests would remain unfulfilled and time to market for training resources would be too long. Dennis knew he needed to find a way to scale training output while using only 25% of his previous resources.

💡 **Solution**

After identifying user-generated content (or EGL) as the most suitable solution, Dennis and his team stumbled upon Easygenerator. With the small learning curve. Dennis found that even those without an e-learning background could create engaging and interactive training material. As a result, employees within the business could take on the task of creating content. And with didactical support from Easygenerator, Dennis did not have to worry about the quality of the courses. The responsibility for fulfilling training requests shifted from the L&D department to the business units, allowing Dennis and his team to no longer reject requests. L&D became responsible for quality assurance and guidance, shifting away from content creation.

"What made Easygenerator stand out was its very small learning curve, even for people who do not have e-learning or didactical background. It is very easy for any employee to make engaging and interactive training materials with Easygenerator."

⚑ **Result**

Within a year of using Easygenerator company-wide, 100% of training requests are being fulfilled. By enabling employees to generate learning content, training is created 12x faster in Easygenerator. Dennis and his team no longer must wait around for a training specialist to create a course using difficult, specialized e-learning solutions. Ever since T-Mobile adopted Easygenerator, the number of training resources created has increased fivefold.

"Easygenerator is so widely adopted because it doesn't require IT to buy individual licenses or install it; people just sign up and get going. It scales so easily because everything is online. Now people come to me and say, 'Hey Dennis, I've heard about this new tool to create training with. Can I use it too?'"

How can you bring your content creation in-house and get started with Employee-generated Learning (EGL)?

Here are a few recommendations on how to get started with Employee-generated Learning:

1. **Start small and identify learning gaps**

Try to figure out where there is untapped knowledge within the organization. Work with those who have the knowledge to capture and share it.

2. **Provide guidance**

Give guidance to employees and provide the right tools and platforms to create, share, and maintain the content. Easygenerator is such a tool that allows employees to create, share, and maintain their own content.

3. **Empower SMEs and co-create learning resources**

Employees with specific knowledge, SMEs, can be the content creators. Foster a "co-development" model to foster a dialoged between employees and L&D teams.

4. **Leverage feedback and analytics**

Encourage employee feedback to continually improve the content. This feedback can be a goldmine to help provide the best content and enhance future resources.

Conclusion

Now the real question remains: **how much money can in-house content creation really save?**

The immediate response is: Time and knowledge are the new currency for any organization. Therefore, just adding up the expenses of e-learning does not work. It is important to consider the long-term value. By leveraging internal employees, speeding up the process, and allowing L&D teams to focus their time on other initiatives, the overall impact is greater and the cost is less.

Using the value-lens mentioned in the beginning of the e-book, let us look into the key advantages of the in-house route over outsourcing.

Value-added	Cost saved
• On-time delivery because the content is created at the speed of the business • No delay in updating the content for any minor changes	• Developed learning content about new models and services • Content is updated on the fly, without the hassle of a middleman
• Learning content is aligned with the business goals since internal experts know the needs and insights better than external partners	• No time is wasted on mapping business goals and aligning with external partners
• Accelerated content creation with simple tools allow for quicker content creation • Simpler and more effective content	• No time wasted in learning fancy tools

Examining the chart above, the value-added by bringing content creating in-house can, in turn, help to save costs. Though it might not be immediately seen or show up on the cost sheet, it has a long-term impact in saving money. As discussed, Employee-generated Learning (EGL) is an excellent way to bring content creation in-house. It is important to note, however, that it may not always be the best solution for every training need. For example, safety and compliance training is typically seen as high-stakes and may not be handed off to employees to create. Follow the guiding principles in your organization, but do not be afraid to challenge them either.

Start small and prove the value. EGL and in-house content creation can multiply your L&D teams, maximize limited budgets, and help to fulfill an increasing number of learning needs. L&D can put employees at the center of the learning ecosystem and enable them to drive and self-serve their training needs. The benefits alone can outweigh the estimated costs, but it requires L&D to have an open mind and embrace the changing world of learning ecosystems within organizations.