

The Case for an LMS

How to Build a Business Case for a Modern Learning Management System



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So, you've heard about LMS advancements in mobile, gamification and integrations with other enterprise technology. You're sure that a new LMS will drive learning adoption and impact your business. What do you do next?

A solid business case is a must if you want to secure investment, resources and support for your LMS project. Traditional learning leaders recognize that skill gaps exist, but tend to be less understanding when there are gaps in their learning technology. However, more and more savvy companies are bolstering their internal learning efforts with modern LMSs.

Consider this...

- The LMS market is predicted to grow to a remarkable \$7.8 billion by 2018
- Today, only 40% of LMS managers and administrators are happy with their current LMS' ability to perform advanced capabilities

– 2014 *Expertus study*

To be competitive, talent leaders want next generation flexibility, integration and reporting to help them connect learning and business performance.

Let the LMS Buyer Be Right

That old adage “let the buyer beware” is suitable for any investment no matter how big or small, and this includes any organization in the market for an LMS. Making the decision to invest in a new LMS doesn't have to be hard. In fact, it can be easy - keeping the following steps in mind.

1 Build Your Case

- Based on questions and data, build a business case for a modern LMS. This information will provide the necessary ammunition for any push back.
- Know all aspects of how you're spending and resourcing to support learning. Human capital carries a heavy cost, so look for ways to impact operational effort.
- Share your vision of current state to future state and what transition is required. Don't be afraid to acknowledge what's broken.
- Check to see if your organization has a template for business case justification.

- 2 **Identify a Champion** – Get help. Identify an executive sponsor early to address funding and any gaps between learning and the business. A good sponsor will have valuable knowledge on how to work within the system to get your project approved.
- 3 **Build Your Internal Team** – Even if the vendor does the implementation and other components of the LMS onboarding, you'll still need an internal team. This may include HR, IT and line of business leaders.
- 4 **Determine the Timeline** – Be realistic and calculate your culture for decision-making and resource availability when determining a timeline. Include requirements, demos, contracting and implementation.
- 5 **Implement a Communication Strategy** – Share the real needs for the LMS investment with key stakeholders and business leaders. This is an ongoing process with periodic updates. You'll need this support throughout the project, so don't view it as a one-time event. Being a little proactive will avoid the need for damage control later on.

Getting Started: Ask the Right Questions – Then Answer Them

Much like a good lawyer who never asks a question they don't know the answer to, you'll need to be prepared through due diligence.

Before making any significant learning or system investment, consider the following questions:

- > Why are you considering purchasing a new LMS? Is there any history of failed LMS implementations to contend with?
- > What's wrong with your current LMS strategy? Do you think what's wrong will improve with new technology?
- > What organizational pain points or process inefficiencies are you looking to mitigate or eliminate? Essentially, what problems are you looking to solve?
- > Which business units or workforce demographic groups will benefit most from more targeted, relevant training? This varies by company, but some of the likelier suspects include:
 - **Sales** – product and service training
 - **Customer service/Call center/Support staff** – customer satisfaction is key for any business today

- **HR** – conduct and compliance training, onboarding, process or workflows
 - **Executives** – leadership development, ethics training, emotional intelligence and strategic planning
- > How does this investment fit into your organization's overall strategic business plan?
 - > What key business processes, goals and metrics will this learning investment impact?
 - > How does your company purchase software? What's the process? RFP? How do you need to work with IT?
 - > How will you show ROI? How does the senior leadership team want you to present your ROI findings?

- > How will the learning investment impact key stakeholders in the business? To determine this, you have to be intimately familiar with each stakeholder's training challenges and business goals:
 - What are their strategic goals for the year or for each quarter?
 - How do they currently use metrics? How do they want to use analytics?
 - Which departments do they work closely with? Synergies can make your business case stronger, and produce deeper, more nuanced business results on the back-end.

All of this information will inform how an LMS investment impacts business direction, growth, challenges and potentially, opportunities.

Be prepared to show each stakeholder or business unit how the modern LMS can make their work easier. Come up with several metrics you plan on measuring.

Again, as you make the business case, it can help tremendously to have a champion – perhaps someone outside of the learning organization; someone who sees the strategic business value in the LMS investment and will be vocal about a new system's benefits and help to endorse the project.

How to Get Funding

FACT: About 60% of corporate learning organizations want to either upgrade or replace their LMS if they can secure the necessary funding.

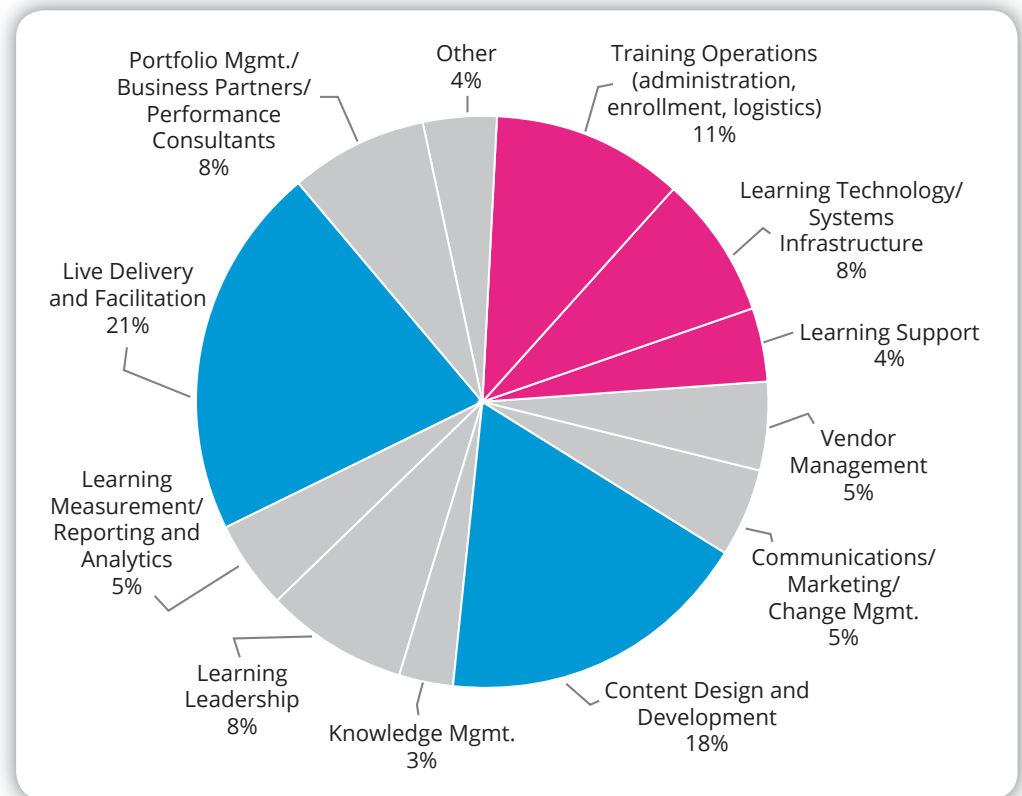
– 2014 Expertus survey

Fortunately, there are many ways an LMS can cut costs or generate revenue. It's not as hard as you may think to make the business case for funds. However, you may have to do some digging to find out how much money your organization is spending on learning today.

Further, to build your case you can't solely look at an LMS as a technology purchase, but as a strategic business purchase that can reduce operating costs, generate revenue and have a true business impact.

The chart below shows how companies typically spend their training dollars (Bersin study). If you're able to understand this data in your organization, then you'll have the ammo to justify your LMS. For example, what impact does a 2% increase in learning technology spend have on live delivery (21%), training administration (11%) or learning support (4%)?

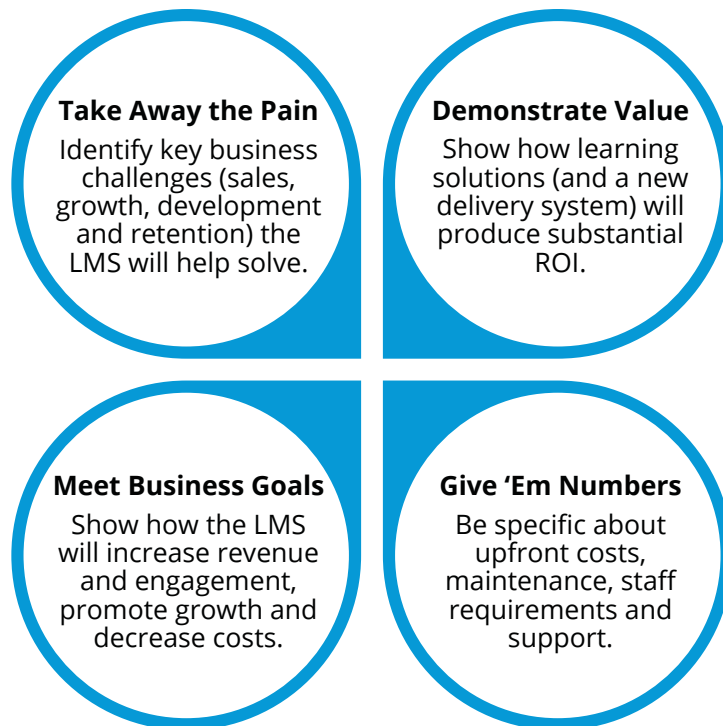
How Companies Spend Their Training Budget



But to get these answers you have to know the organization's business strategy (not just its learning strategy) first.

Once you have a firm grasp on the business strategy, there are four things to consider when making the business case for any significant learning investment...

Four Steps to Consider Before You Ask for Money to Buy a New LMS



1 Take Away the Pain

An organization's business strategy, goals and priorities inform how the learning leader or LMS project manager shapes their business case. So, if budgets are tight and money is an issue, you show the hard cost-savings first. These might include:

- Reduced costs for travel related to training
- Eliminating multiple systems, redundancies and staff needed to operate or maintain multiple systems (this results in lower costs, more control over content development and delivery and standardized learning)
- Improved training efficiency, which relates to learner acceptance and engagement (without which training dollars are wasted) knowledge transfer/retention and user adoption

If an organization's key priorities are related to growth or revenue generation, the business case might emphasize things like:

- Learning content development – increase the quality of offerings to promote quicker ramp up to productivity gains and higher learner engagement
- Creating a self-service model that requires less support and provides higher bandwidth
- Increased mobile LMS functionality, enabling learners to access resources when and where they need them to increase productivity, reduce errors and upsell products and services
- Speeding time-to-market – the right LMS can skill-up sales and support staff on new product rollouts/ offerings faster to get in front of customers and competitors more quickly

2 Demonstrate Value

Show these cost-saving or revenue-generating elements liberally throughout your business case for the new LMS:

- **Mobile** – Better mobile learning leads to a more productive workforce and also increased training adoption for customers and partners; focus on learning at the point of need
- **Social Learning** – Training suddenly becomes more relevant and dynamic, which leads to higher productivity, lower costs and revenue growth
- **Gamification** – This increases training adoption, knowledge retention and motivation
- **eCommerce** – The modern LMS can operate just like Amazon to enable the purchase of learning
- **Compliance** – Reduces risks associated with compliance fines, lawsuits and manual tracking
- **CRM Integration** – Your LMS can be accessed directly from your CRM (Salesforce)

- **HR System Integration** – Helps to fill your talent, skills and performance gaps, which leads to a more productive workforce
- **Better Reporting** – This leads to smarter decisions that lead to a better training organization and a more effective business
- **Moving from ILT to Virtual ILT (or eLearning)** – Big travel reductions and faster training rollouts lead to faster product rollouts

3 Give 'Em Numbers

One reason learning leaders have such a hard time soliciting funding for new learning technology is because they're not speaking the same language as the senior executives who hold the budgetary purse strings. Learning does have value for its own sake, but that's not going to pay for the LMS – showing business impact will. For senior level executives, at the end of the day, nothing else matters.

Senior leaders are more easily swayed by data than philosophical discussions about the value of learning. They're interested in a different kind of value – the dollars and cents of how a learning investment will pay for itself in greater productivity/performance or lower turnover costs, error rates/redundancies and other cost-savings.

To make your business case, show them hard numbers like the amount of money saved annually due to reduced costs in travel for training facilitators. Also, estimate top-line revenue benefits such as more relevant, targeted development via a convenient delivery system that will give employees more time to do their jobs thanks to a lack of retraining and increased capabilities and on-the-job performance.

Offer senior executives an equation...

Estimated investment gains – Hard costs for the learning investment = ROI

You should additionally emphasize quick benefits such as:

- More customer training = customer satisfaction and revenue growth
- More partner training = more partner mindshare and revenue growth
- Increased workforce productivity = lower costs and higher quality products, which means happier customers, fewer returns and increased profits/revenue growth
- Increased salesperson productivity = revenue growth
- Selling more training = revenue growth

If you really want to make a business case for a modern LMS, offer your senior executives more sophisticated calculations based on real costs that currently affect the business. It would greatly increase the power of your argument if you could provide them with an ROI calculator that details the cost of the LMS investment against the savings it will produce in various aspects of the business over a one, two or three year period. Start by finding a significant cost that having an LMS will remove.



For example, to help senior execs see the value in an LMS, you would outline clearly – using annual, itemized tallies – how much the organization spends hiring external facilitators (or flying trainers from corporate headquarters) to train and certify employees in different locations for these mandatory modules.

There are a variety of numbers you can use to make your case: flights, venue rentals, training materials and food – not to mention the on-the-job productivity losses while employees are traveling to and from training... the list goes on and on.

Attach a dollar amount to each of these costs, add them up and then show how the LMS will eliminate these costs. Show, in numbers, how buying an eLearning course – or custom building one internally with the help of existing SMEs – and pushing it out to everyone through an LMS, will cut out the need for trainers, flights, venues rentals, training materials, etc.

If you can show a positive return on investment and demonstrate how acquiring a new LMS will solve a business problem or reduce a repetitive cost, it will be much easier to get the funds needed to acquire it.

Examples of LMS ROI Calculations

Following are two examples of real world ROI calculators that were used to justify two different types of ExpertusONE LMS purchases. One was for internal training for a workforce, and the other was for external training for customers, partners, etc.

It's broken up into these two types because there's a very different business case for each of them: one was focused mainly on cost-savings, and the other on top-line improvements. However, both are a part of each calculator.

ROI Calculation for Internal Training

Cost

Annualized Cost of LMS (based on 3 years + implementation) **\$ 106,000**

Benefit

Estimated Non-Compliance Penalties **\$ 200,000**

Administration-Compliance Training Tracking Cost
 Estim. Cost of compliance notifications (internal and agencies)
 Admin costs - estim. time to manually manage individual training records

# of Employees	Time in Hours	Total Hours Spent	Employee Cost/Hour	Admin Savings
4,000	0.5	2,000	\$ 50.00	\$ 100,000
4,000	0.25	1,000	\$ 50.00	\$ 50,000
				\$ 350,000

Employee Engagement (Focused learning, Gaming, Mobile, Social)

# of Employees	Annual Loaded Cost/Employee	Cost of Employees	Improved Productivity % (2 hours/year)	Employee Engagement Benefit
4,000	\$ 90,000	\$360,000,000	1.0%	\$ 3,600,000

Total Annual Savings **\$ 4,150,000**

Return on Investment

LMS Cost	\$ 106,000
Benefit	\$ 4,150,000
ROI Factor	39.2
ROI %	3915%

This example is one company's case for an LMS for workforce training. Their main savings goal was to improve workforce performance, which turned out to be \$3.6 million from a modest 1% performance gain. The next goal was to reduce the cost of achieving compliance. They estimated that they could reduce this by \$350,000 per year. Lastly, they would also eliminate \$200,000 in non-compliance fees. This potential savings totaled \$4.21 million, which was over 39 times the actual cost of the LMS. This made it an easy decision.

ROI Calculation for External Training (Customers, Partners, etc.)

Cost

	Year 1	Year 2	Year 3	Totals Cost
LMS Cost (3 years + implementation)	\$ 92,500	\$ 92,500	\$ 92,500	\$ 277,500

Benefit

	Current Sales	% Increase	Value
Additional Product Sales from Increased Adoption	\$ 500,000,000	1%	\$ 5,000,000
Training Revenue from Learner Engagement	\$ 5,000,000	20%	\$ 1,000,000
Total Revenue Increase			\$ 6,000,000

	# of Admins/ Instructors	Employee Annual Loaded Cost	Cost of Employees	Improved Productivity %	Admin Savings
Administration Savings from LMS	5	\$ 100,000	\$ 500,000	15%	\$ 75,000

Summary

	Year 1	Year 2	Year 3	Totals
Revenue Increase	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000	\$ 18,000,000
Employee Efficiency Savings	\$ 75,000	\$ 75,000	\$ 75,000	\$ 225,000
Total Benefit				\$ 18,225,000

Return on Investment

	Year 1	Year 2	Year 3	Totals
Return on Investment	\$ 5,982,500	\$ 5,982,500	\$ 5,982,500	\$ 17,947,500
ROI Factor				64.7

In this example of an external LMS calculation, the potential return was far higher than for the internal LMS calculation. Most of the benefit comes from the increase in revenue from better trained customers, which almost inevitably leads to repeat sales. In this case, the revenue increase was a modest 1%, which totaled \$5 million per year. Correlated to that, they projected a 20% increase in the sale of customer training, which would result in \$1 million in revenue. Similar to the previous ROI calculation, they also projected internal savings for administrative cost (\$75,000) and employee efficiency (\$225,000). All of this resulted in a benefit of nearly \$18 million, which was 144 times the actual cost of the LMS.

4 Meet Business Goals

The right LMS can have multiple strategic benefits. For instance:

- Greater integration with existing systems increases ROI from all systems thanks to increased reporting functionality and information sharing. This enhanced analytic reporting functionality produces actionable data senior leaders can use to make sound decisions.
- Modern LMS architecture can promote collaboration, knowledge sharing and consistency across business units, even in organizations that are geographically dispersed.
- With the right branding, an LMS can help build a beneficial learning culture internally via greater capability, productivity and career growth, and externally via an enhanced ability to attract and retain top talent.

The right LMS can even position the learning function as a profit center. Let senior-level executives know their investment in learning will not only yield workforce development, productivity and engagement benefits, but hard dollars as well.

If you use a new LMS solely to train your employees, you can expect cost-savings. Performance will also increase. Salespeople equipped with the latest techniques, performance aides and resources will sell more products and services faster and offer better customer service. But these days, external training partners are just as important.

Learning is traditionally viewed as a cost center. But savvy organizations will have their learning organization and LMS do double duty – training internal assets, as well as external ones, and effectively turning their quality learning assets into an external revenue generator by delivering their learning content and programs to customers and even other organizations.

According to Brandon Hall's 2015 HCM Outlook survey, some 37% of organizations think creating learning for external audiences is a strategic priority. Developing learning for external parties can not only turn a learning organization into a profit center, it can boost a company's brand, improve relationships with external business partners and, in some cases, reduce risk and promote compliance.

Of companies surveyed who develop training for external partners:

- 72% say they reduced their overall training costs
- 25% charge using a subscription model, 54% charge by course or content price and 22% sell course or content bundles
- 15% consider selling external learning a critical factor for their business
- High performing organizations are 34% more likely to charge for extended enterprise learning

Generating revenue for learning via external clients also helps to offset the costs of running an enterprise learning organization.

Selling learning can have a direct impact on your organization's bottom line, and not just in direct sales revenue generation. Leveraging a modern LMS externally can improve customer relations, increase product/service awareness and help maximize customer retention (see Figures 1 and 2).

Figure 1: The Business Value in External Learning Sales

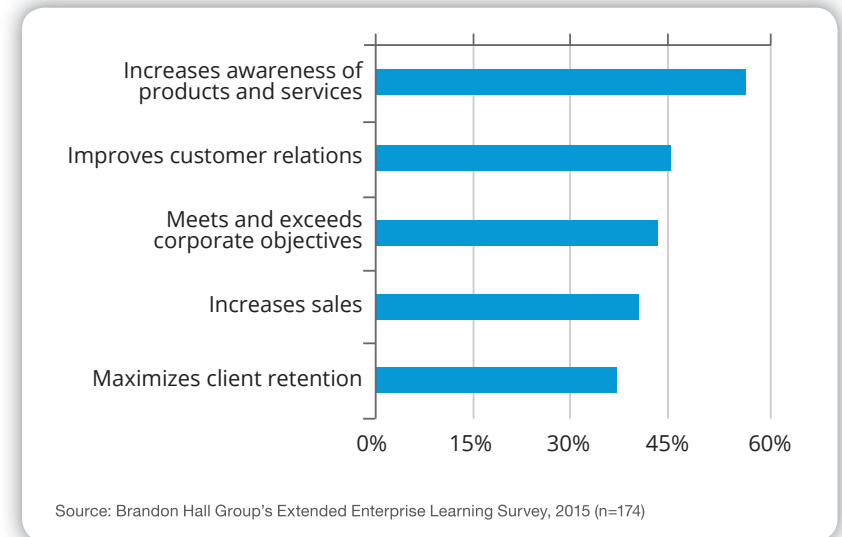
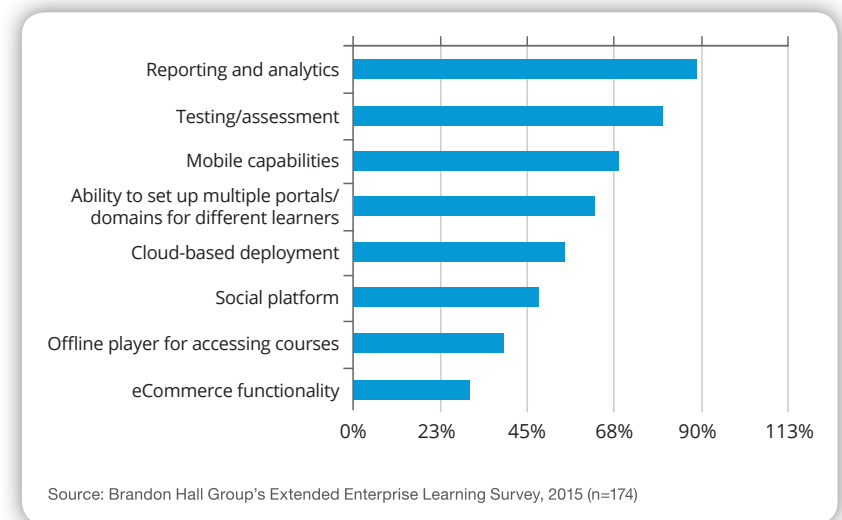


Figure 2: Important Capabilities for an LMS Supporting Extended Learning Sales



The Value of a Modern LMS like ExpertusONE

It's never been a better time to invest in LMS technology, or to upgrade your current system. The best systems are intuitive and simple to use – created using the modern design principles that learners, administrators and executives are intimately familiar with thanks to today's most popular websites (Google, Facebook and Amazon). Modern LMS architecture also provides the integration and advanced functionality organizations need – and want – around reporting, customization, mobile and social.

Mobile platforms, in particular, are growing dramatically. More than 85% of millennials are now carrying smartphones, and many eschew laptops and tablets for those smartphones. So, a modern LMS must be compatible with a myriad devices and delivery methods. Old systems just can't offer this kind of functionality.

The ExpertusONE platform's objectives are to:

- **Provide an Intuitive User Experience** (i.e. no training needed to use) – profile-based learning provides clear direction on what training each learner should take.
- **Provide a Modern Learning Platform** – uses a SaaS-based model with easy integrations to existing systems if needed (i.e. Salesforce); users only need an Internet connection.
- **Employ the Newest Technologies** – ExpertusONE is a holistic learning suite. Native applications (not bolt-on) are designed to work in a cohesive manner.

- **Provide Easy Implementation and Run Operation** – Expertus owns our implementations. We ensure strong governance, and best practice logistics are incorporated.
- **Ensure a True Business Impact** – Typically, learning adoption will increase 15-35% with our solutions, and learning operation costs will decrease by 10-25%.

But, to reap all of these benefits, you must first obtain the technology. That's why it's so important to build a business case that you can use to sell this valuable investment to your senior leaders.

Building a strong business case for a modern LMS will take some time, but it's time well spent because a fairly large percentage of LMS RFPs go un-awarded. An LMS is a big purchase. And if your senior leaders have any doubt about the value of making this investment, negotiations can easily derail. The last thing any learning leader wants is to spend three, four or even six months searching for an LMS, then find the perfect one to meet their organizations' needs, only to find out the interest that sparked their search doesn't actually translate into the approval they need to move forward.

Build a nuanced, well executed business case, and you can not only avoid that scenario... but you can acquire an LMS that will produce a measurable ROI that senior executives approve of, and that positions learning as a business driver that ties directly into your organization's strategic purpose.

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With 20 years of software sales and HCM experience, Tim has a passion for the LMS space. He was drawn to Expertus for its innovative ExpertusONE learning platform, and now helps customers significantly improve and streamline all things learning. Tim also strives to ease the challenges of corporate learning professionals, helping them advance their careers with modern learning technology.

Have more questions about building your LMS business case? Please contact me directly at tima@expertus.com or visit www.expertus.com.