# Why <u>Not</u> Having an LMS is Costing You Money

Understanding the Business Benefits of Implementing a Learning Management System

For many companies that provide training to their employees or customers, an investment in a Learning Management System (LMS) often requires a leap of faith.

This is due, in part, to the mistaken assumption that the LMS is a commoditized technology that simply delivers higher-value training content.

The fact that there are many organizations that deploy a "content-free" LMS simply to track and arrange their classroom training
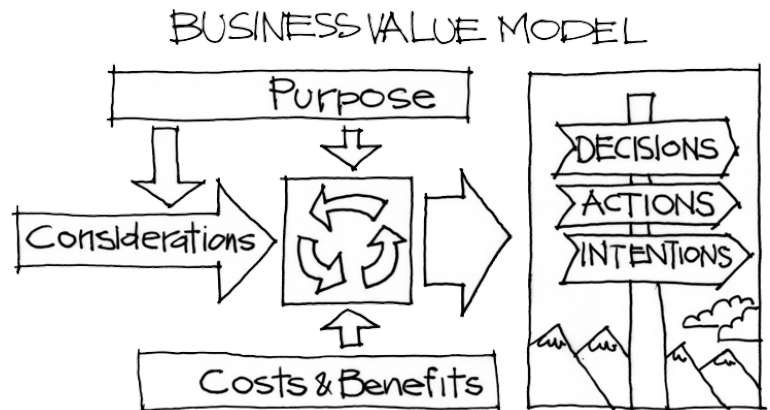
Understanding the value of an LMS – separate from the value of the training content, in fact – is actually the key to implementing a successful training program.

This white paper considers how a full-featured LMS provides real business benefits, and ultimately the highest ROI, in the typical business context.

To do this, we'll look at some at the generally accepted roles of an LMS, and at the core reasons for purchasing one. Inevitably that means understanding the ROI expected from e-learning projects, and the management of their results using an LMS.

But we'll also consider how an LMS can help a business to:

- Improve its performance by managing resources more effectively

- Manage and meet essential regulatory requirements

- Connect knowledge and competencies to business objectives

- Make employees and managers accountable for completing training

This white paper will also consider how specific business objectives may be linked directly to training programs using the functionality of an LMS, providing senior executives with reports and recording the contribution made by the programs to these objectives. To do this we shall map the functions of an LMS against specific business objectives and training plans.

We will also consider how we can measure the effectiveness of training programs using an LMS – the key to achieving accountability.

Introduction

Organizations whose success depends on the supply or adoption of knowledge nearly always recognize that investing in learning programs is essential for business advantage. Unfortunately, this is not always the case for other organizations.

For example, manufacturing and other production-oriented companies generally recognize the importance of making investments in new equipment or processes to achieve performance improvements, but they are less likely to perceive "learning" per se as anything but an expense.

It is in organizations such as these that the greatest opposition to investing in what may be perceived to be an expensive software package such as an LMS may be found.

In many cases, however, this opposition can be overcome simply by demonstrating that more and better management of that training, enabled by the deployment of a good LMS, can provide direct (i.e. bottom line) benefits to the business.

To be clear, this doesn't just entail demonstrating an improvement in the quality and management of the training programs. Rather, it means linking the training goals to the achievement of specific business objectives, and then measuring the differential impact of these training programs on those business objectives.

As uncomfortable as it may be, training leaders can and should justify, execute, and measure the effectiveness of their training initiatives the same way as other departments do, although such measurement generally can't be done without the aid of an LMS.

**In justifying an LMS, several issues need to be taken into account.**

For example, clearly, classroom training is labor-intensive and extremely expensive. Costs can be incurred for:

- Travel time and expenses
- Facilities coordination and costs
- Updating, printing and shipping of course manuals and documentation
- Opportunity costs of employees' time away from their work

But E-learning also has associated costs. Typically it may mean:

- Costs to create learning content
- Purchase of off the shelf content
- In some cases, software for managing and creating courses

As one can infer, this demands not only a change of mindset for the senior executive officers, but for trainers as well. This is because not only does the company have to justify converting learning content to be deliverable online, but the management structure around the training program must also be revised. It is here though, that the LMS truly delivers value as a tool for recording and measuring costs, achievements and the progress of training.
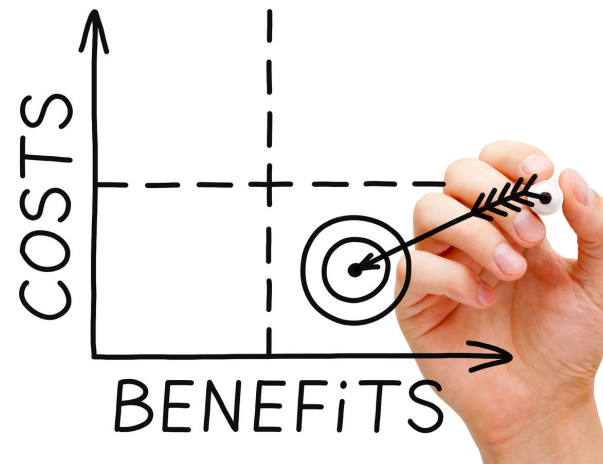
Role of an LMS

In short, a Learning Management System enables training experts and management to manage the training and learning processes throughout the "learn – perform – measure – improve" continuous process improvement cycle.

Axis LMS, for example, provides functions that include:

- An easy-to-use and intuitive method for assigning and tracking both classroom and online learning
- Comprehensive and filterable reports to enable the evaluation of learning performance
- Online communications tools such as forums, a social site and chat rooms to encourage collaboration and training reinforcement
- A flexible structure that allows different combinations of user groups to be created (location, job-role, departments, etc.,) to better reflect communities-of-interest within the company
- An fully customizable, intuitive and user-friendly interface for learners
- The ability to run and report on assessments and measure competencies both scheduled and on-demand
- Complete branding and front-end configurability to maintain consistency with your organization's image

Key Benefits of an LMS

As a result of the many functions an LMS offers, key benefits that a full-function LMS will provide include:

- Reduction in the cost of delivering training content and managing the training process

- Maximization/optimization of content usage for all learning resources

- Rapid deployment of targeted learning across widely distributed organizational departments and groups

- Provide learning that is "just-in-time" (and not 'just-in-case')

- Train, assess and report on compliance requirements more cost efficiently

- High degree of management visibility into the training process

Understanding the ROI

When considering the Return on Investment (ROI) of implementing an LMS, most organizations take into account the direct costs and benefits of replacing or reducing their classroom training for the online training programs they are about to introduce.

This usually includes a reduction in travel expenses, as well as the benefits of increased availability of the content.

As you can infer from the previous discussion, there are other benefits associated with introducing an LMS. But, as is the case with many software solutions, actually calculating those benefits can be a difficult task.

Most trainers who use an LMS will argue that they simply would not be able to manage an effective e-learning program without the support of their LMS. But there are three cases that illustrate different approaches to calculating ROI.

Each is based on the assumption that the LMS has enabled a new range of eLearning solutions to be introduced.

ROI Summary: Example #1

A well-known retailer needed to satisfy two key business objectives through the introduction of an LMS. They needed to have an automated method to measure the amount of learning undertaken by employees, and then cross reference this against performance expectations for their particular level. The ROI figures were calculated by subtracting the costs of investing in an LMS, its course content and provisioning, against the assumed costs of running the training without the benefits of an LMS, which in this case would be classroom training.

Saved $240,000 in the first year, representing a 65% savings in total training costs!

For this organization, it quickly became apparent that the cost savings were sufficient enough in just the first year to justify the investment in the LMS. In the first year, the organization realized a net savings of nearly $240,000, reducing their expense by over 65%!

Moreover, the retailer experienced additional unintended business benefits from the change in strategy. This included:

- An increase in the number of courses delivered
- Improved staff competencies
- Better customer service
- Faster roll- out for subsequent projects.

They also gained the ability to measure individuals' learning levels, and cross reference them against the expectations for their particular job category, leading to better control and training management.

ROI Summary: Example #2

A financial services company had a specific business objective to deliver compliance training within a limited time period.

To analyze the value of an LMS, they put together a model internally that would enable them to calculate the cost and benefits of the delivery of the compliance courses with and without implementing the learning management system.

> **Using this approach, in the first year the organization realized a net savings of nearly $120,000, reducing their expense nearly 50%!**

But they were also able to identify and measure other business benefits that would accrue – specifically a reduction in their reliance on subject matter experts (SMEs) which would improve the speed of delivery of new projects.

Additionally the manner in which the reporting solutions within the LMS operated would enhance the way they would be able to meet the regulatory demands they were required to adhere to.

ROI Summary: Example #3

A Police force identified a requirement to train staff on an operational system, and improve operational efficiencies.

The size of the project and the diversity of the teams being trained meant that, by introducing an LMS, the cost savings was potentially quite significant.

And, in fact, it was. In the first year, this organization realized a savings of nearly $1,000,000, reducing their expense by over 80%!

Because more staff could be trained concurrently, the project was completed far more quickly. But the other business benefits that accrued were also significant. Refresher training would subsequently be available on a 24/7 basis.

The LMS has also reduced dependency on physical training resources which means faster roll-out for subsequent projects.

The Police departments are now better able to meet their compliance training requirements by using the LMS's clear reporting on courses completed and passed.

Additional LMS Benefit: Making Employees & Managers Accountable for Completing Training

Although it may seem unnecessary, setting up an LMS will make learners accountable for their own learning plans – driving accountability down to where it is needed.

In fact, in most companies employees appreciate that the more skills they can demonstrate, the more opportunity they will have for promotion, another benefit on an LMS. Conversely, not taking up learning opportunities may suggest that they are disinterested in progressing their careers further, an important factor in minimizing turnover.

An LMS such as Axis LMS can be set up to enable employees and managers to view the progress of both individuals and groups through the courses that are available to them. This not only enables individuals to achieve their individual goals, but it enables organizations to achieve group results – the key to improving organizational effectiveness. It also enables learners to be more specific and honest about what training they need.

Systems such as the Atrixware Axis LMS also provide other tools that enhance this process, and contribute further to an increased ROI. These include:

- Collaboration tools that enable learners to communicate directly about their experiences, which is especially useful when employees are working from diverse locations and may not know others facing similar challenges
- Self-service training where learners can personally subscribe to courses without intervention from trainers or managers
- Learning plans that help learners understand the paths they must take to improve their performance
- 24x7 self service learning which enables learners to work independently/away from the workplace
- Deadlines to encourage and help learners understand the importance of completing a piece of training in a timely manner

Ultimately, by shifting the process of learning into those of the learners themselves, an LMS enables organizations to encourage high performing employees to take on more responsibility, and make a greater contribution to organizational effectiveness.

Additional LMS Benefit: Connect Knowledge & Competencies to Business Objectives

One of the key benefits of a good LMS is its ability to provide tools that can connect an organizations' business objectives directly to the knowledge and competencies of its employees.

In this regard, Axis LMS, for example, provides several options for aligning your training programs to your business objectives in the way that works best for you.

You can create Learning Paths that automatically enroll learners into the next training course based on what they have completed, along with which department or job role they reside in — creating a custom learning experience for every employee.

Alternatively, you can develop Core Competency Programs that group various training courses together which, when completed, grant a 'certificate' for the completion of the Competency program. This can then be linked to departments (i.e. user groups) thereby enrolling all new and existing employees into the appropriate Competency Programs once they are assigned to a group – an especially effective approach for the on-boarding process.

Conclusions

While the need to provide training that is connected to – and ultimately drives – the achievement of the business objectives of the organization is clear, actually doing so is virtually impossible without an LMS. The data on participation, test results and progress through the curricula are often lacking or, at best, appear only on spreadsheets. And after-the-fact attribution smacks of wiring the game. And so accountability falls victim.

Implementing an LMS such as Axis LMS, however, not only enables learners to acquire the knowledge needed to improve performance, it allows managers to link job performance directly to the training – creating the "conscious competence" that is at the core of organizational excellence and continuous process improvement.

The ROI of implementing an LMS is evident in this situation because measuring the ROI of the training program, which includes the cost of the LMS, is a core function of a good LMS.