Calculating the ROI of your Learning Management System:

How ResultsOnDemand can change
your organization's equation

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If you have experience managing learning and talent, you already understand that an LMS will help your organization cut costs or improve profits. But how do you show that return-on-investment (ROI) to others? The more clearly you can show how an LMS will positively affect your bottom-line; the easier it will be to get company buy-in.

Unfortunately LMS's have traditionally been very complicated undertakings with intense, multi-faceted implementation cycles and they require buy-in from multiple groups across the organization. This complexity has caused many organizations to shy away from justifying an LMS investment. Not only is all of this complexity costly, but needing to bring a myriad of people to the table to discuss multiple learning processes makes the exercise not worth while. What about those of us who have a specific problem to solve but don't have the time or resources to justify the investment across the company?

Technology improvements and new deployment models now allow companies to get the learning management industry's best functionality with more affordable, hands-off solutions. This development has changed the way companies look at their learning ROI. Organizations can now focus on one program, regardless of how many groups will benefit from the LMS, and justify the investment.

In this whitepaper:

1. You will see the best way to assess how an LMS can positively affect your business by focusing on improving one process.

2. You will see how to calculate an LMS's real cost of ownership. This can be assessed in either a Software-as-a-Service (SaaS) solution or a traditional software purchase model.

Assessing how an LMS will impact your business

At its core an LMS enables your organization to do the following:

1. *Improve the operational efficiency of a learning process.* Companies with learning management software spend less time and money managing the scheduling and administration of learning processes.

2. *Increase an organization's visibility into the effectiveness and gaps within a training operation.* Centralized tracking, reporting and analytics allow organizations to better track what training has an impact, where improvements are made, and where people stand on mandatory training requirements.

These core benefits allow an LMS to positively affect hundreds of processes across an organization. The table below sites some of the most compelling metrics that have been used in previous ROI calculations for SumTotal.

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	Employee Training Organizations	Customer Training Functions	Partner & Supply Chain Training
Lower cost managing training schedules and activities (e.g. fewer hours spent managing training)	✓	✓	✓
Decreased travel costs with eLearning and Virtual Classrooms	✓	✓	✓
Increased revenues due speedier employee & partner time-to-proficiency (Employees learn the new product faster, start selling sooner, generates revenue sooner)	✓		✓
Increased revenue from well-trained partners and sales	✓		✓
Decreased cycle times and process issues in supply chain	✓		✓
Improve time-to-market training of sales and partners	✓		✓
Increased revenue opportunities by selling training		✓	✓
Decreased support incidents and costs from well trained employees and customers	✓	✓	
Increase customer satisfaction rates and future revenue from customer retention	✓	✓	
Decreased costs due to speedier employee time-to-proficiency (e.g. training for a large software system rollout, manufacturing processes, etc.)	✓		
Decrease time (and costs) from employees being pulled into training, thus more time in front of customers	✓		
Reduce financial risk & cost of negligent regulatory compliance training activities	✓	✓	
Decrease employee turnover costs by enabling employees more development opportunities	✓		
Improve company performance (thus profits) by aligning training to corporate goals and by ensuring training activities strategically align with employee development needs.	✓		

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Even though one learning management system can simultaneously manage multiple learning processes, focus on improving one process when you create your ROI calculation. Chances are the improvements will more than justify the entire LMS purchase.

Most reading this whitepaper already have an idea of what process they would like to improve. But just in case, here are some examples where SumTotal has helped hundreds of customers improve their bottom line:

- Automating, streamlining, and centralizing organizations' learning processes
- Improving training efficacy in new store, new product, or systems roll-outs
- Managing an organization's training compliance or certification records
- Increasing sales effectiveness both internally and through partner networks
- Selling customer or affiliate training for a profit
- Improving customer success metrics in call centers by better training and assessing customer service reps
- Retaining quality employees by executing a better talent management strategy

Now map the process in its current form. Calculate what this process is costing you today and assess the training impact on your organization. Areas of focus can be investment costs, employee time spent, the opportunity cost of lost time, sales decreases or increases . . . the list goes on and on. Use the table above to benchmark areas within your process to assess. Next map a new process with SumTotal in your organization. Calculate the anticipated efficiencies and draw on some of the metrics listed above to assess the impact a better managed training process would have on your organization. How much time and money would a solution save you? With that added visibility into training's effectiveness, what organizational profitability metrics will you now be able to impact? The more you measure each process box in quantifiable terms, the easier it will be to translate actionable steps.

Unfortunately there is no quick and dirty template to use while conducting this exercise, because every organization is different. But you'll be glad you went to the trouble. SumTotal has previous examples of such process flows available upon request. And if you would like support with process mapping from a SumTotal Account Manager, dial 1-866-SMTOTAL.

The following are some of the benefits of ResultsOnDemand, SumTotal's SaaS deployment:

- LMS offering based on the SumTotal TotalLMS platform's unmatched functionality
- Increased Business Value. You focus on training not systems administration
- Low cost of entry
- Predictable monthly expenses
- Lessen IT dependency and leverage SumTotal's expertise
- No Hardware/Software Purchase
- Low risk
- Rapid Implementation
- Accessible from anywhere
- Inclusive ongoing Support and Product Upgrades
- Reliability, performance, and security – beyond a typical commercial installation
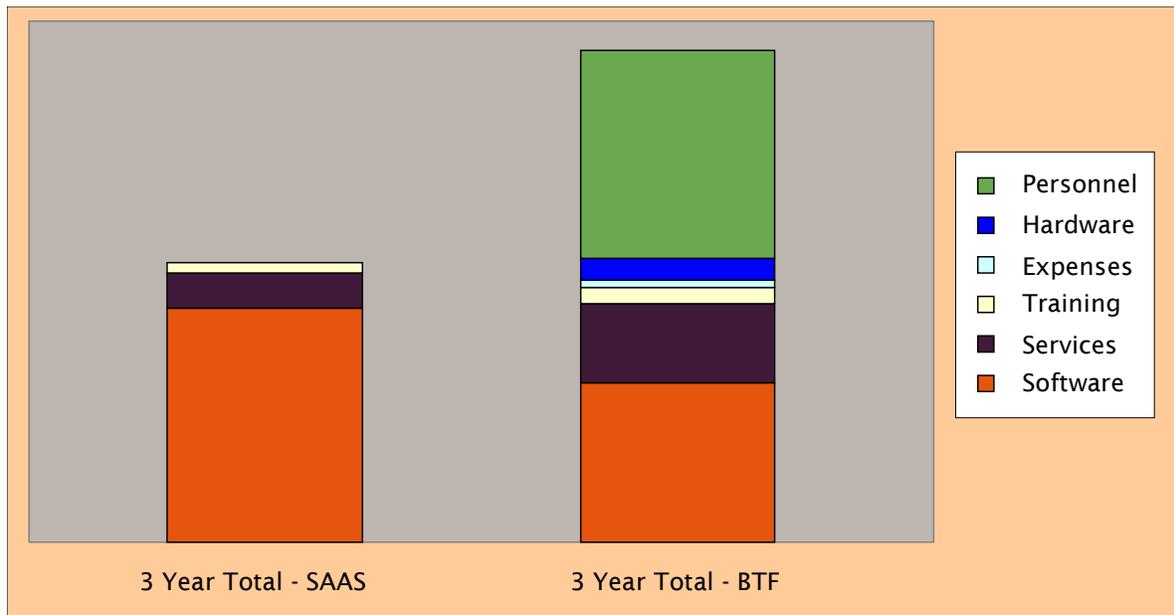- Completely scalable

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Calculating the Cost of Learning Management Software - What's the best model to purchase the software?

Now that you've calculated the foreseen value of implementing a new or upgraded LMS, its time evaluate cost.

As mentioned earlier, innovative deployment models and recent enhancements in web-based technology/security now allow even the smallest of organizations to affordably take advantage of full-functioning learning management systems. Traditionally, LMS software has been purchased through a typical perpetual license model where you pay upfront for the licenses plus an ongoing percentage for maintenance and support. For your next LMS upgrade, there are multiple options. You may want to examine a perpetual license model or procure your LMS via Software as a Service (SaaS). Think of SaaS as an online subscription to the software. The deployment option you choose will affect your ROI.

SaaS may not be for everyone, like extremely large corporations or companies that have specific workflow customizations to the software. To learn more about SaaS in learning management systems, read *Software-as-a-Service in learning and talent management software: The Pros and Cons.* This whitepaper is available online at www.sumtotalsystems.com/whitepapers.

A SumTotal customer with 10,000 users was able to decrease its 3 year cost of ownership by over 40% with SumTotal's SaaS solution, ResultsOnDemand.

Legend: Personnel, Hardware, Expenses, Training, Services, Software

3 Year Total - SAAS   3 Year Total - BTF

Below is a worksheet to help you calculate your cost of investment. We recommend a 3 year cost-of-ownership comparison to effectively compare the value of a perpetual license. Fees typically vary based the number of LMS users in your organization. Most organizations with fewer than 10,000 users find the SaaS model to be more cost efficient. For help filling out this form, contact us at 1-866-SMTOTAL.

	SaaS Model (e.g. ResultsOnDemand)	Traditional Perpetual License Purchase
Sum of 3 Year License/Subscription Fees		
Upgrade Services/Set-Up		
Training		
Maintenance And Support		
IT Infrastructure Investment		
- Servers		
- Databases		
- Load balancers		
- Routers		
- Switches		
- Software licenses		
- Other		
Diversion of IT Staff		
Dollar Value of Speedier Implementation		
Total Cost		
Variance		
Total First Year Expenditures		

To learn more about how SumTotal can work with you to help strengthen business performance, please visit our Web site at www.sumtotalsystems.com

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