LEARNING MANAGEMENT SYSTEMS ASSESSING RETURN ON INVESTMENT

Getting the best value from your learning management system

LMS

investment
proprietary
open source
e-learning
ROI $
face-to-face
training

What's best for your organization?

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INTRODUCTION

Is a learning management system the right training platform for your organization?

If you are considering adopting a learning management system (LMS) and need to build a business case, then return on investment (ROI) is top on your list of things to find out.

The question of ROI for an LMS depends on what method your organization is currently using for training. In this report we'll explore some of the main differences between:

1. LMS & face-to-face training

2. LMS & webinar training

3. Open-source LMS & proprietary LMS

With this information in hand, you'll be able to determine what platform best suits your organization's training needs. At the end of this report, you'll find a series of next-steps to help you make a final decision on how to receive the most value from the training platform you adopt.

LMS VS. FACE-TO-FACE TRAINING

If your organization is not currently using an online method for enrolling, training and tracking learner progress, the ROI equation is simple and makes LMS-based training look quite attractive. Here are some of the cost items to take into consideration:

- How many people in your organization (new or recurring) do you train per year?

- What is the average cost of each course?

- Do you pay people to travel to courses?

- Do they require accommodation?

- What is the annual cost for an LMS that will fit your requirements?

Let's take a look at these considerations using an imagined scenario:

- You have three job sites in Los Angeles and one site in San Diego

- 100 people per year take two, two-day courses at $595 per person—total cost $119,000

- 50 people, on average, travel to a site in order to attend, at an average travel cost of $0.60 per mile and with an average travel distance of 30 miles—total cost $1,800

- 25 of those 50 travelers require accommodations during the course, at $130 per night—total cost $6,500

- The grand total for 100 people to attend two, two-day courses in person is $127,300

Costs would be higher if air travel was necessary, and we're not including the cost of food in this calculation. In addition, the administration costs of keeping track of who has attended, completed, and passed training need to be added. Record keeping may be manual, or online through a human resource management system.

Do the Numbers

By way of comparison, an average annual cost for a hosted LMS system based on Totara or Moodle is around $20,000 to $30,000—depending on what add-ons you choose. A hosted LMS will accommodate far more learners than 100—we host LMS's for clients with nearly 100,000 learners—and you can run as many courses as you like, make them available 24/7/365, and receive real-time reporting on learner progress.

What this does *not* include is the cost of course development or purchase if you do not own the content. Most companies, however, maintain proprietary systems, so many develop their own competency courses or contract with instructional developers to produce on their behalf.

When paid for on this basis, a course can cost anywhere from $10,000 to $100,000—depending on length and level of detail involved. When you have paid for course development, you can use the course any number of times you like—reducing the per-student learning fee significantly over time. The cost for the platform does not change no matter how many courses you run in a year.

For more in-depth courses, an online system leaves the bulk of the learning to students who can access the system any time, and progress through a course **at their own speed**.

LAMBDA SOLUTIONS

LMS VS. WEBINAR-BASED TRAINING

Maybe you are using audio conferencing or webinars to get around the costs of face-to-face training. By choosing an online delivery method, you have already reduced costs in terms of travel, accommodations, and venue. In addition, most webinar-based training sessions are recorded and people can "attend" by watching the recording anytime. The cost to host a webinar is relatively low, with services accommodating 100+ participants for a monthly fee anywhere between $50 and $100—depending on the features you are looking for.

Good for Quick Demos

Over time, though, companies have come to view webinars as good for demonstrations, introductory purposes, or in-depth discussions on a topic within a broader course of study. As a replacement for quick 'lunch and learn' kinds of training, or for demonstrating how to use software, webinars are great. But for longer courses, where there is lots of material and the learner needs to engage for longer than an hour to reach proficiency, a webinar is not your best bet. After all, who is going to sit online for two days to participate in a live webinar in order to absorb all the material in a longer course?

For more in-depth courses, an online system leaves the bulk of the learning to students who can access the system any time, and progress through a course at their own speed. Learning management systems are designed to enroll learners into courses, manage the presentation of course materials, and track progress. The administrative functions that an LMS handles are more sophisticated than webinar communications systems—offering compliance tracking and certification as well as human resources functionality such as performance management and 360 review programs built right in to the application.

In short, webinar or conferencing-based learning:

- Supports collaboration

- Are event-driven instead of course-driven

- Assessments are separate activities, not part of a specific unit of a course

- Performance is tracked manually using instructor grade book data

As supplements to online courseware, webinars are an excellent way to bring people together, stimulate discussion and present visual information. In fact, here at Lambda Solutions, we love webinars and use them on a regular basis to share best practices with our clients. While it is often appropriate to include webinars in a course as a means to discuss topics, comparing webinar-based training with online learning through an LMS is comparing apples to oranges. They are interrelated, but achieve different goals.

OPEN SOURCE VS. PROPRIETARY SYSTEMS

If you are considering a new LMS, a fundamental ROI question to ask is whether your organization is interested in paying a license fee per user on a perpetual basis.

Proprietary LMS's—Litmos, Topyx, Saba, or Blackboard for example—require licensing fees per user (anywhere between $15-$100), usually on an annual basis, with an additional subscription and maintenance fee to make sure your system is kept up to date. LMS's based on open source software, such as Moodle, do not require a licensing fee, reducing the overall cost per user.

Free Distribution

In addition, open source software is distributed freely, and any new functionality in an upgrade costs nothing to implement (save perhaps a bit of thought about how best to take advantage of new features). The per-license costs for proprietary software may or may not include free upgrades, so be careful to find out what exactly the license fee covers, if you are investigating proprietary systems.

Open Source systems are free, but you will still incur costs

If your organization decided to adopt Moodle today, the software itself would cost nothing. However, you would have to purchase servers to host it and hire or train people to run the servers and optimize the software to work effectively in your environment.

If you calculate you might be able to do this for less than the $20,000 to $30,000 per year for a managed, hosted LMS, then it might be better value for you to bring the LMS in house. Most companies run these numbers and decide to move to an outsourced model. Outsourced hosting saves money and allows your organization to take advantage of experts familiar with running the Moodle LMS.

If your organization decided to adopt Moodle today, the software itself would cost nothing.

Considerations beyond costs

Assessing whether a proprietary or open source system is better for you should go beyond costs. If you take into consideration risk associated with the potential for proprietary product disruption because of a merger, or collapse—open source systems provide a lower risk option since the source code "belongs" to everyone. In addition, because thousands of developers can access the core, bugs get fixed more quickly, security patch releases occur more often, and features are upgraded continuously.

Developers of proprietary systems will argue that their LMS is easier to use than an open source LMS. That may have been true in the past, but today, **Moodle 3.5** and **Totara 11** offer many of the same ease-of-use features that proprietary systems developed. As well, open source systems are developed by the community-at-large. As a result, the number of features available as **plugins** provides an amazing array of options.

Finally, if you were an online learning consultant, which would you choose to specialize in? The most popular LMS on earth, with over 60 million users? Or a small, proprietary system with customers in the thousands? Many online learning consultancies choose to support Moodle (or Totara for those in the corporate environment) over other systems to pass on its cost benefits to customers. As a result, the collective level of knowledge with regard to optimizing and using Moodle as a learning tool is massive by comparison to other systems.

FINDING THE RIGHT TRAINING SOLUTION: NEXT STEPS

The following steps will help you assess where your training program stands, the different considerations you need to take into account, and your organization's potential return on investment with a new learning management system:

If your training program is new or under revision, you might find answering some of these questions difficult. As experts in training and learning technology implementations, we'd be happy to setup a consultation to help you determine what solution offers you the best ROI.

1

Set goals for your training program and determine:

a. Why do your employees need training?

b. What are your compliance requirements?

c. How many employees must you train?

d. Do you already own content, or does it need to be developed?

e. Do you have an existing LMS, or another training platform?

2

Assess your learners' circumstances:

a. What volume of training must each learner undergo, in a year?

b. Are your learners located in one place, or dispersed over different locations? Does travel between different locations require considerable travel time and cost, and accommodations?

c. How involved is the training content? Can it be covered in a single overview session, or does it require more involved participation and assessment?

3

Assess your organization's ability to manage a self-hosted LMS:
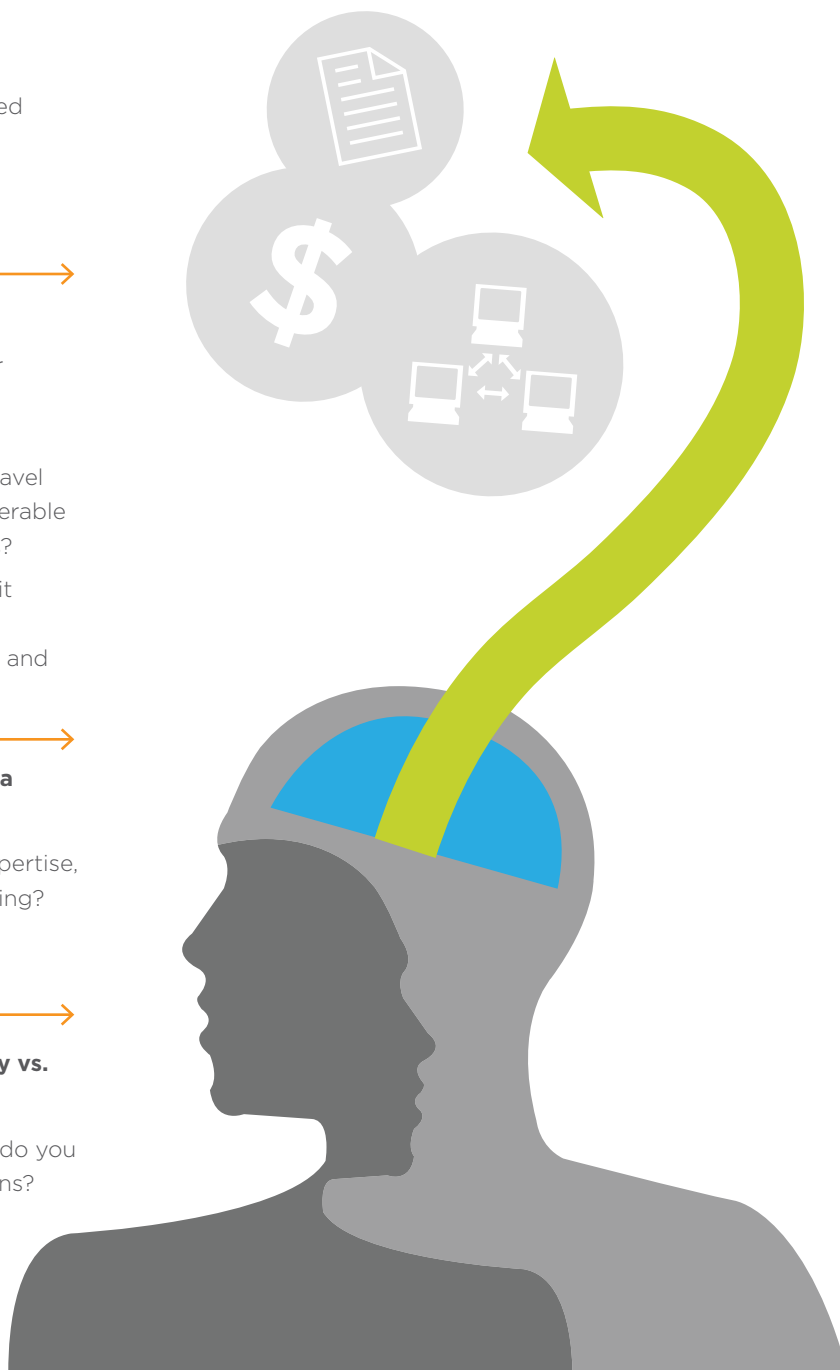
a. Do you have the experience, personnel, expertise, and server setup to manage in-house hosting?

b. If not, what would it cost to implement an in-house solution?

4

Determine the value of going with proprietary vs. open-source LMS options:

a. Do you prefer an out-of-the-box setup, or do you prefer a wide variety of configurable options?

b. Does your budget align with the costs associated with either option?

WHO WE ARE

Lambda Solutions

Founded in 2002, Lambda Solutions provides a full range of services for the leading, open source Moodle and Totara Learning Management Systems. Lambda works with both institutional and corporate clients to help them achieve better learning outcomes and increase the value of their human capital. More than half a million people learn everyday on our managed hosting platforms. Focused on healthcare, education and government, we provide systems integration, customization, training and support to enterprise-class customers, including Four Seasons Hotels, Mt. Sinai Hospital, CGI, Rutgers University, and the Canadian International Development Agency. Lambda a Totara platinum partner. The company has offices in Canada and the United States.

Contact our team

We want to talk to you if you're new to the market and looking for Moodle or Totara hosting and support, or if you need customization and consulting for your existing system. Our solutions combine a choice of robust hosting platforms seamless integration with your enterprise applications and friendly, easy to access support.

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