



The ROI of a New Learning Management System (LMS)

How to Construct
a Successful
Business Case

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In today's fast-changing world, the learning management system (LMS) has become mission critical to organizations that are trying to keep employees up to date on everything from the latest technologies and regulatory requirements, to industry certifications, best practices plus job-specific and leadership skills. No wonder the 2010 Brandon Hall research report on Learning Management Systems shows over 65% of organizations now have an LMS in place, with many of them utilizing more than one LMS.¹

Even if you have an LMS in place, the challenge is that it might not be the right LMS.

A new-generation LMS not only automates the learning process, it offers powerful reporting features and the flexibility to manage all types of third-party and custom content as well as peer-to-peer and on-the-job training. It can also turn learning activities into profitability drivers by integrating seamlessly with performance management, career development, compensation planning and succession planning initiatives. In addition, an LMS like the one offered by SuccessFactors can offer a SaaS (software as a service) solution that reduces overall costs and the need for in-house IT resources.

Still, given today's economic climate, winning approval for an LMS can present a challenge. The key is to construct a business case that presents the LMS not as an IT expenditure but as a proven tool for achieving measurable ROI and attaining strategic business objectives.

Here are 6 key elements to include in your business case to demonstrate the ROI on a SuccessFactors LMS.

1. Present Hard Cost Savings

Implementing an LMS allows organizations to secure tangible and immediate savings in areas such as:

- Reduced costs for travel and training facilities by moving training on-line
- Lower instructor fees and salaries and costs to produce, ship, store and update materials
- Reduced time away from the job
- Reduced record-keeping costs (SuccessFactors provides instant audit histories for individuals or groups)
- Improved training efficiencies (SuccessFactors lets you customize content for student needs to achieve better retention and acceptance and faster training completion)
- Increased scheduling and enrollment efficiencies (SuccessFactors automatically detects and resolves scheduling conflicts, tracks costs and allocates resources as they are needed)
- Elimination of multiple systems, resulting in lower costs and better control over all aspects of the training experience through one standard, centralized access point

¹ Brandon Hall 2010 Learning Management System Study: brandon.hall.com/publications/lmskb/lmskb_method.shtml.

2. Estimate Top-Line Revenue Benefits

Implementing an LMS allows organizations to secure tangible and immediate savings in areas such as:

- Give employees more time to do their jobs. Offering “anywhere, just-in-time” training means sales reps can learn about new products without leaving the field to attend classes or conferences.
- Speed up time- to-market. An LMS can ramp up sales and support staff on new offerings faster — lowering costs and getting you out in front of competitors more quickly.
- Strengthen sales and marketing. Simulations and custom courses help even new sales reps become more competent in pitching products and closing deals; market research reaches reps faster; and national and regional sales offices can maintain consistent brand messaging.
- Reduce redundant and unnecessary training cycles. No more “one size fits all” training for everyone from high potentials to underachievers! SuccessFactors can deliver dramatic returns through “adaptive learning” that targets training according to trainees’ skill profile, needs, and aptitudes.
- Save time spent revising, updating and retraining. SuccessFactor’s Revision Assistant feature automatically manages how changes relating to everything from new corporate policies and benefits to revised “SOP” documents affect learning program content.

3. Calculate Initial ROI

Using the estimates from steps 1 and 2, use the example below to calculate your one-year ROI.

[Hard Costs + Top Line Revenue Benefits] / Cost of the System = Return

EXAMPLE:

Hard Cost Savings:	\$600,000
Top Line Revenue Benefits:	\$200,000
Sum of Hard Savings & Benefits:	\$800,000
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Less Cost of the system:	\$200,000
Return Before Investment:	\$600,000
Return Before Investment:	\$600,000/
Cost of the System:	\$200,000
Return:	3.0 (or 300%)

For every \$1.00 invested in the SuccessFactors LMS, you expect \$3.00 of benefits in return.

Another useful metric is Payback Period (or days to break-even):

(Investment / Sum of Hard Savings & Benefits) x Time Period = Payback Period

EXAMPLE:

$(\$200,000 / \$800,000) \times 12 \text{ Months} = .25 \times 12 \text{ Months} = 3 \text{ Months or } 90 \text{ Days}$

Thus, in the example above, an investment in SuccessFactors LMS would deliver 300% ROI and pay for itself in 90 days. These are certainly powerful metrics to include in a business case. To make your absolute strongest case, however, there are three additional sections to add: strategic benefits, individual benefits and real-world examples.

4. Point Out Strategic Benefits

Implementing an LMS allows organizations to secure tangible and immediate savings in areas such as:

- Higher ROI from other systems. Through seamless integration, SuccessFactors LMS enhances the ROI of HRIS systems by importing critical information about the organization's knowledge-base and delivering customized training, thus improving overall production and quality control.
- Lower regulatory risks and liabilities due to fines or temporary shutdowns. SuccessFactors is a critical tool for compliance, quality control and risk management. SuccessFactors satisfies regulators' demands for training, reduces the chance of accidents, and helps "audit proof" training records.
- Establish strategic goals and track workers' progress toward them. SuccessFactors enables supervisors to benchmark performance, implement best practices, and track course completion.
- Attract and retain good employees. SuccessFactors can customize the pace of learning to help employees master content, improve skills, and build confidence and motivation.
- Plan for expansion, downsizing or repositioning. SuccessFactors provides total visibility of an organization's competencies and talent assets. Skills gaps, holes in succession planning, high performers, and other issues can be identified and, through learning activities, addressed.
- Stay agile and handle growth efficiently. SuccessFactors lets you roll out a new corporate strategy, adopt new technologies, adapt to changes, and assimilate M&A employees faster.
- Foster collaboration and consistency across the supply chain. SuccessFactors makes sure employees, suppliers and partners are all using the same Web-based learning system so players are able to collaborate and execute the same strategy and product message consistently.

5. Highlight Individual Benefits

Implementing an LMS allows organizations to secure tangible and immediate savings in areas such as:

- Empower and retain workers. SuccessFactors LMS lets workers be proactive with training and career development - and align their learning with the organization's immediate and long-term needs.
- Create a high-performance culture. During annual reviews, training goals can be made clear so employees know how performance will be judged and that they can measure their progress daily.
- Improve morale. SuccessFactors LMS helps create well-trained employees who are more confident in their jobs and secure in their career tracks.
- Reduce employer liability. SuccessFactors helps provide the training activities to reduce incidents such as sexual harassment or discrimination. The LMS also provides the documentation to help protect employers in the event a lawsuit develops.

6. Include Real-World Examples

The best business cases combine figures with a practical vision of what can be expected. Below are a few examples of the ROI organizations have realized from the SuccessFactors LMS.

Regulatory Compliance

In regulated industries, penalties for missing training deadlines can be severe. Even worse, from sensitive research labs to shop floors and manufacturing facilities, poorly trained employees can lead to noncompliance infractions that can trigger fines and temporary shutdowns that can cost organizations as much as \$1,000,000 a day. For example, with SuccessFactors, Genzyme can verify and ensure that employees have been trained in certain key areas related to their manufacturing and laboratory activities as well as maintain tighter control over SOPs, GMP and clinical compliance audit-trail verification and documentation of employee training.

Strategic Value

SuccessFactors clients include a major media company, where the LMS was conceived not as a solution for one business unit, but as a set of powerful management tools for the entire corporation and its 120,000 employees around the world. Through SuccessFactors, they have developed a cost-effective and scalable approach to learning. The company estimates a NPV of \$8M and a 10-year IRR of 32%. Additional value is delivered through creating a consistent worldwide training experience; reusability of content and collaboration to leverage it across the organization; and increased employee access to training on-demand to build knowledge and skills more quickly. The result is increased employee performance, productivity and retention, improving the organization's ability to meet their strategic plans.

Cost Savings

Thanks to the SuccessFactors LMS, Royal Bank of Canada has saved \$5.5 million annually through reduced learning administration costs and lower operating and enhancement costs. In addition the bank enjoys better control over the delivery, tracking and reporting of compliance and continuing education.

Reduced Infrastructure

The Herman Miller Company replaced three different learning systems with a single SuccessFactors LMS solution and the U.S. Department of Labor was able to consolidate seven different learning systems to one SuccessFactors platform, giving them the ability to track where the money is going and enabling them to make better strategic decisions.

About SuccessFactors, an SAP Company

SuccessFactors, an SAP company, is the leading provider of cloud-based Business Execution Software, and delivers business alignment, team execution, people performance, and learning management solutions to organizations of all sizes across more than 60 industries. With approximately 15 million subscription seats globally, we strive to delight our customers by delivering innovative solutions, content and analytics, process expertise and best practices insights from serving our broad and diverse customer base. Today, we have more than 3,500 customers in more than 168 countries using our application suite in 35 languages.

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