



White Paper

# Choosing an enterprise Learning Management System

The intangible factors

## Executive summary

There are many things to consider when purchasing an enterprise Learning Management System (LMS). You should certainly draw up a list of ideal benefits and features and aim to understand your typical learner profile; in addition, you should also ensure executive sponsorship and user adoption. These and many more practical considerations are a necessary part of choosing the right LMS. They are necessary but—importantly—they are not sufficient to make an informed choice of system.

This paper deals with an additional set of considerations often overlooked when purchasing learning technologies—the intangibles—and it focuses on two intangibles in particular. First, the way your vendor supports you after purchase is crucial. Without strategic support from your vendor all you have done is bought some software. With proper support you have valuable help on achieving your business goals.

Second, it is vital to include the hidden costs of buying an LMS beyond the initial purchase. There are some costs of ownership which you might not think to consider initially such as maintenance, upgrades, addition of more functionalities, integration and ensuring scalability. In addition, it is important to consider how your LMS fits your existing processes and systems and be ready to make some adjustments to your process to avoid costly customizations.

## What is your aim?

Everything starts with your business aim. Without a well-expressed, business-focused reason for using an LMS, it is impossible to decide which to buy, because you cannot know which LMS and vendor will meet your needs. The fact that many other large organizations have an LMS is not sufficient reason for yours to have one. You must be clear what you expect it to do for your organization.

Not only does a lack of business aim make choosing an LMS difficult, it makes using it almost impossible.



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If you buy an LMS with no clear goal, this lack of business focus will make it impossible to persuade managers and employees to use it after purchase. You will have wasted your money. Enthusiastic learner adoption of an LMS (as with any other piece of technology) is always driven by a clear benefit for the user.

The first step in buying an LMS, therefore, has to be this: establish your business need. Here are some examples of good reasons for buying an LMS:

- I have wide-ranging needs for knowledge transfer. I need to be able to do that electronically, and I want a reliable delivery mechanism to do it. I need to track learning activity—e.g., to show learners have fulfilled compliance obligations.
- Without this, my organization is likely to face problems in the future.
- I need links between a wide range of different learning resources—e.g., between courses and competencies—so that I can be sure that the learning activity I promote builds the capability.

Each of these three reasons has a clear learning need, supported by a business need. In the last two, the business need is explicit. In the first it is implicit. If your reason for buying an LMS revolves around knowledge transfer, ensure you clarify the exact business need for this. This will underpin everything else later on. Knowledge transfer could be required for any business reason, some of which may include:

- Sales people need rapid updates of their own products and of competitors’.
- A company’s employees, channel partners and customers need a range of ‘how to’ courses and tip sheets on using the company’s products effectively.
- Widely-dispersed employees need a mechanism to share what they are learning in their daily work, and easy ways to link this to other learning resources.

A clear business reason for purchase enables you to win managers and learners over—the benefits to them of using the system is clear. It also has another important benefit. It produces a focus on business results, not on learning process. This lends a sharp focus to every part of the implementation process.

Any software—including LMSs—can be made to do almost anything, given enough time and money. Clarity on your business aims will help you understand where to spend your time and money—and where not to. For example, your goal should enable you to decide where you will use existing functionality, where you will configure the platform and where you will decide that it makes more sense to adjust an internal process than opt for customization. Your desired business outcomes are key to this—you have to know them, and be focused on achieving them, fast.

## Buying an LMS vs buying a car

Buying an LMS is not like buying a car. In some ways it is similar—it is a purchase of a high-value product that should last you a number of years. All automobiles do essentially the same thing and yet you can (and should) eliminate most of those on the market by drawing up an essential features/benefits check list.

But buying an LMS differs considerably from purchasing a car in some key respects. You probably have many years' experience in cars as a passenger and a driver, and know fairly well what you are looking for. It's likely that you've bought more than one in the past. Finally, and importantly, cars are tangible. You can tell a lot about a car and its seller in a ten-second glance. You can't do that with an LMS.

And in contrast with buying a car, purchasing an LMS puts you into a long-term relationship with the vendor. That is something worth remembering, because when you've committed to tackling your business problem by buying an LMS, you will want the support of a responsive business partner.

In summary, committing to an LMS is more like leasing than buying. Technology continually advances. By leasing your software you ensure you receive the latest updates to keep pace with new features that match industry best practices and meet the expectations of employees, especially as new generations enter the workforce. It is crucial, then, to work with partners that are visionary and have a good track record of innovation to ensure that your software keeps up with technological change. It is after your purchase that the two intangibles come into play: strategic support and hidden costs.

## Strategic support

For a purchase as important as an enterprise LMS you don't want a vendor. You want a long-term partner that will offer strategic support.

Unlike when buying a car, when you buy an LMS you are—usually—buying from the creator of the product, not a retailer. And over time, as things change, you are going to have a continued relationship with them. Your LMS will be part of the organizational learning infrastructure that includes your relationships and processes as well as your technology. The technology, in fact, may turn out to be the least important part of all this. It just has to do its job well and unobtrusively, letting you get on with the business of driving high-value learning in your organization.

Whatever aims you begin with when you buy your LMS, they will change over time. When they change, you do not want to have to strip out and replace that technical infrastructure which you are relying on. You want to know that you can work with your vendor to get the most from it, and to change it if necessary—without incurring exorbitant customization fees.

Here are some questions about your vendor that you will want answered:

- Will they support me when my learning needs change?
- Can they help me launch the LMS well and ensure wide adoption?
- Is my vendor a reliable, solvent organization? If it is acquired, or runs into financial difficulty, what will happen to support for my system?
- Does this vendor regard me as a cash-cow for ongoing consulting fees?
- Will my vendor accept my recommendations for their future product development plans?

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Who will you ask about all this? Certainly ask your prospective vendors. More importantly, though, ask their customers. If the vendor can't provide reference customers—and enough of them—you'll know there is something seriously wrong.

## Hidden costs

Of course, this is not to say that your relationship with your LMS vendor is the only thing to consider. There are the costs of owning the LMS, too. And importantly, you'll want to know the total costs of ownership of the system. That starts with the price of the package, but goes well beyond it.

The pricing part is easily dealt with. You'll want to produce a spreadsheet with the following information on it for your shortlist of possible LMS vendors over the first three years of ownership. You must also budget for costs beyond that, too, of course.

## Direct costs of ownership

Just about any LMS will incur some combination of the following costs:

- Purchase costs
- One-off set up costs
- Ongoing retainer/licensing costs
- Upgrade costs

When asking for the purchase cost of an LMS, be sure to find out exactly which component(s) of the system the license fee includes. Your needs will likely grow over time, and you should begin by only paying for what you know you need. Subsequently you can scale up gradually to satisfy further needs as they arise.

## Ongoing costs of use

Many LMS providers will also charge for the following. Although it may be difficult to judge in advance how much these costs will be, that doesn't mean you shouldn't attempt to estimate them. You should also check with reference customers how their ongoing usage costs have worked out:

- Content generation feeds
- Consultancy
- Customization (vs configuration, which you should be able to do yourself)

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## ‘Hidden’ costs

Arguably the greatest costs in using an LMS is the time it takes to run it. If the effort and time to run the system mean you can't achieve your business goal cost-effectively, then it will be a bad purchase. Consider:

- **Speed to impact**—how long will it take to get the system installed, configured and running? If the measurement is in months rather than weeks, you have the wrong LMS.
- **Time**—how much of your time and that of the L&D team will system administration take? The system should save time, not absorb it.
- **Integration issues**—how much time and effort will it take to get your LMS to work with other organizational systems and with tools such as those for content creation, mobile delivery and social learning?
- **Reporting**—are the ‘out of the box’ reports from the LMS fit for the purpose? If not, how much effort will it take to create them?

Time is crucial—speed to impact, and time spent running your system. Your business goal should be top of mind here. Anything that gets in the way of helping you reach that goal, fast, is a significant obstacle. An LMS that does most of what you need out of the box, and requires little maintenance, gives you more time to meet your objectives than one which requires significant vendor-led customization. (Remember here the crucial difference between configuration—the system changes which you can make—and customization, which require expert changes to the code base. The first is fast, and under your control. The second costs and can only take place when the vendor's consultants are available.) While your LMS should not be a needless drain on your time, it is worth remembering that any LMS will inevitably require some time to manage. The key is that the overall operational efficiencies you gain from an LMS should clearly exceed any administrative requirements. The key is to have an LMS which can be well maintained without becoming an administrative burden.

The integration point is particularly important, and comes in many forms. Clearly, you may well wish to integrate your LMS with existing ERP, HR and other systems. When talking to the vendor's existing customers, you will want to ask how easily such integrations can be implemented and maintained.

You will also have tools within the L&D department that you wish to integrate the LMS with such as content creation tools. Learning content is an important consideration in any large organization. You are likely to have legacy content, licensed content that you have bought, and content that you need to create yourself. Your LMS needs to be able to deal with it all smoothly and effectively. If you have to cobble things together by complicated imports of courses, manipulating files and media to fit the LMS database, then you will be spending time on running the LMS which should instead be spent on your business aim.

The same holds true for reporting. All LMSs have some form of reports. But can you create the specific reports that you need in your organization swiftly and efficiently using a particular LMS? If you are required to produce reports weekly and have to spend time manipulating the data in order to present the information in a particular way you are again being diverted from what should be your main aim: reaching your business goal.

Your aim here is to be independent of the vendor tactically. Your LMS should be a useful part of your infrastructure, not an endless drain on resources. However, you should definitely not aim to be independent of your vendor strategically. On the contrary, as described above, your vendor should be an active strategic partner. It is essential you keep each other informed of your plans. That includes the needs that you will have going forward, and the vendor's development plans, so that the two of them are kept as closely tied together as possible.

## Making your choice

An LMS is a long-term leasing investment, and cannot be bought using either the simple considerations of a domestic purchase (such as a car) or by an organizational procurement department focusing only on the initial price tag and a list of features. The long term support for, and costs of, your system are crucial to its success in helping you reach your business aim.

To recap, the three steps to deciding which LMS to buy—and whether to buy one at all—are these:

- Establish your business need for an LMS (if it is 'knowledge transfer,' make sure that there is a good business case for this).
- Talk to reference customers. In particular ask them how their vendor has adapted to their needs over time.
- Establish the likely total cost of ownership of your LMS. Check your assumptions both with vendors and with reference customers—and pay special attention to hidden costs.

Remember that this system is part of your organization's learning infrastructure. It needs to be up and running and paying back on its investment quickly and with minimal administrative attention from you. It needs to be able to do its job well, allowing you to concentrate on leading learning in your organization, rather than on tinkering with software.



641 Avenue of the Americas  
New York, NY 10011  
800-260-2640  
infor.com

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