

A 3D bar chart with ten orange bars of varying heights, arranged in a descending sequence from left to right. A large, thick yellow arrow curves over the bars, pointing upwards and to the right. The background features a light gray curved line and a white surface.

DETERMINING ROI FOR YOUR LMS

A Guide for calculating
ROI for your learning management system

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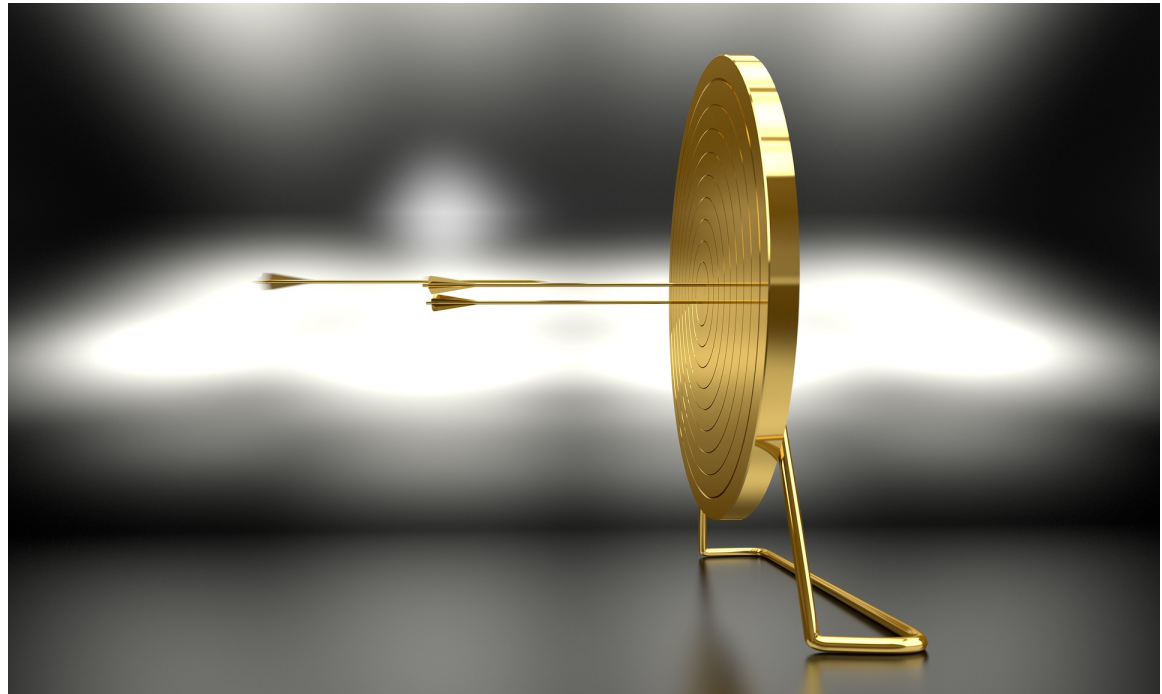
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Introduction



There are many reasons for implementing a new learning management system. Some are related to saving money, others to improving productivity either of workers or administration staff, and others to meeting compliance.

But whatever your goal may have been, after you have implemented your system, how can you be sure that you have accomplished your objective or objectives? One way, is to use return-on-investment (ROI) metrics. These metrics measure differences between costs, productivity and other factors before and after the new system was implemented. The purpose of ROI is to prove that the time, effort and money invested in the new system is providing some – ultimately financial –

return, whether that is direct cost savings or indirect profitability from increased productivity or efficiency.

However, implementing new learning or talent management software is often part of a larger initiative, so it can be difficult to separate the two when measuring outcomes. Software supports processes, and if those processes are changed at the time the software was implemented, improvements can be a result of one or both changes.

Some measurements can be directly attributed to the use of software (such as time to generate a report from existing data), but others are related to new opportunities that are created by the addition of the new systems (such as the ability to offer Web-based training or virtual classroom instruction instead of conventional classroom-based training).

Often, the implementation of a learning or talent initiative can have wide-spread results, such as reducing worker turnover. This may have resulted from workers having access to critical learning and thus being more satisfied with their jobs. Or it may be that a talent initiative offers them more say in the direction of their work resulting in feelings of greater responsibility and fulfillment. A new LMS may offer the ability for workers to self-assess skills and create learning plans that will help them accomplish personal career goals and thus feel more productive or valuable.

Separating software from process results can be tricky, unless the project involved the simple replacement of one technology with another, which is seldom the case. The implementation of a new learning or talent management system can be a large endeavor and has probably been initiated because of some other changes at an organizational or at least department level. Therefore, the following suggestions are related to the implementation of a new learning and/or talent management initiative and not to software alone. But each situation is different and yours will determine how and what you measure.

Acquiring Data



Some measurement data should already be available in financial systems, for example, the expenses related to worker travel for training. Others will be more subjective and require staff to estimate or track activities. Many of these metrics can be accomplished by creating survey forms that workers complete based on current tasks. Often these surveys are done during the planning stages for an initiative and are used as part of a larger needs analysis. These same surveys can be re-administered at key milestones during the project and then again at regular intervals (yearly, for example) after the implementation is complete.

Initially, some of these results can be predicted. For example, if the new system will allow the use of virtual training not previously available, the metrics can be estimated based on time and/or expenses related to delivering traditional classroom training. Figures can be acquired for instructor and student travel to and from a classroom venue. Then estimated results would be based on no travel time/expenses being incurred if the instructor stays in his/her office and the students stay at their workstations.

Utilize whatever information you have available to determine what you should and can measure. Strategic plans, organizational performance data and needs analysis reports can all be mined for measurement ideas. And you can make your measurements as large or as detailed as you can accomplish with the data you are able to acquire.

Ideally, a new system should automate many of the tasks previously performed manually. For those that were already automated, the new software should improve the process or make the data easier to access or more relevant. Measuring these areas should be fairly straightforward. Others will be more difficult and will require developing surveys or subjective ratings. But all data, whether qualitative or quantitative, is relevant and can be used to determine return-on-investment of new technology or of new processes.

What to Measure



Following are some examples of metrics related to learning and talent management initiatives. These are just examples and are by no means the only metrics that you can consider. What you measure should be customized to your specific organization and to the implementation. You may want to look at your organization's strategic plan to see what areas are targeted for improvement, and then extrapolate existing data based on these goals to use as your baseline or starting point.

1. Company/Organization Level

Metric	Description	What to Measure	Goal
a) Productivity	Any noticeable increase in productivity since the implementation that can be directly or indirectly related should be considered. And there should be a comparison not just at the administrator or end-user level (workers being trained, for example) but also for supervisors and instructors.	Statistics related to product or service delivered	Increase in productivity
b) Completion rates	This could measure the completion rates of processes before and after. For example, the number of worker appraisals that are submitted can be compared from one year to the next.	Number of completions	Increase in completion rates
c) Compliance	This is a comparison of the percentage of staff who met compliance before and after the initiative.	% of workers who meet compliance	Increase in compliance rates
d) Onboarding	This measures the time that it takes to get an worker up to speed in his/her job role.	Time from hire to productivity	Decrease in time
e) Turnover	This is a comparison of the number of workers leaving the organization or department before and after.	No. of workers who leave	Goal is a decrease
f) Accuracy in data and reporting	A new system should offer the potential for more accuracy in data and reporting, which may be difficult to measure since errors often go unnoticed. Typically, before and after data is reviewed specifically looking for errors. In some instances a relative feeling about accuracy is measured based on anecdotal evidence.	Number of errors	Decrease in errors
g) Alignment of goals	Most organizations have high-level strategic goals, which should trickle down. A new system should make it easier to apply organizational goals to individual learning or performance plans. The number of reported individual goals that match organization goals could be measured before and after.	Actual number of reported matching goals or a percentage of the total reported goals	Increase in goal alignment
h) Competency improvement accuracy	Data can be used to determine if competency improvement is taking place in reality or just on paper. Competency improvement reporting at the individual level should be compared with the competency improvement reporting at the department and organizational levels.	Competency improvement at individual/dept or org levels	Increase in accuracy of comparisons

2. Administrator/Department Level

Metric	Description	What to Measure	Goal
a) Administration tasks	Person-hours over a period of time for tasks carried out by administrators or HR such as scheduling events or entering worker data. For example, automation of resource assignment compared to previous methods might be measured.	Time spent carrying out the tasks	Decrease in time
b) Reporting	Person-hours over a specific period of time, say, in relation to a monthly report cycle.	Time compiling/producing reports	Decrease in time
c) Accuracy in data and reporting	Again, typically data from before and after is reviewed looking for errors. In some instances a relative feeling about accuracy is measured based on anecdotal evidence.	Number of errors	Decrease in errors

3. Instructor/Supervisor Level

Metric	Description	What to Measure	Goal
a) Administration tasks	Time that instructors or supervisors spend doing administration related to learning/talent management such as completing forms, marking enrollments, etc., is measured over a typical period.	Actual time spent carrying out tasks	Decrease in time spent
b) Travel time	If the initiative involves introducing virtual training that reduces instructor travel, the time associated with travel during a period before the initiative would be compared to a similar period after.	Time spent travelling to delivery training	Decrease in time spent
c) Travel costs	As per the above, travel costs for instructor travel could be compared before and after the initiative.	Actual or estimated expenditures	Decrease in costs
d) Satisfaction level	This might measure the satisfaction level of supervisors with a performance appraisal process before and after. This would probably require a subjective survey.	Subjective ratings would need to be determined	Increase in satisfaction rating

4. Student/Worker Level

Metric	Description	What to Measure	Difference
a) Time managing own data	This could compare the amount of time a typical worker would spend viewing learning and skill options, determining personal requirements, registering for learning events, and so on.	Time spent (most likely based on a survey)	Decrease in time
b) Time taking training	This could be related to a switch from classroom training to elearning or virtual training and compare the time required for students to take training including travel to and from venues.	Time spent	Decrease in time
c) Costs for taking training	As per the above, this could compare the costs for a student to acquire training before and after the initiative.	Actual or estimated expenditures	Decrease in costs
d) Time to take evaluations	This could be a comparison of the time students spend taking evaluations or exams in person to completing them online.	Time spent	Decrease in time
e) Satisfaction level	This might measure the satisfaction level of workers with learning and/or performance processes before the initiative and after. This is would probably require a subjective survey.	Subjective ratings would need to be determined	Increase in satisfaction rating

Example Metrics

Following are examples showing what measurements and results might look like for different types of metrics. These are all for tangible results that can be easily measured. Performing an audit of information before the project starts can provide baseline data. But even if that wasn't done, you can still measure based on previously existing data, estimates and anecdotal information.

Direct Cost Savings Example

The following analysis could be made of a mandatory course that each worker must take once a year. A contracted trainer travels to several different locations to present the information to the staff in person. Workers, in this case, do not need to travel as the trainer has traditionally come to them. The analysis compares the same course offered as elearning, where, of course, no instructor or classroom is required.

Expense	Before Initiative	After Initiative	Result
Course development	\$1,000.00	\$6,000.00	-\$5,000.00
Instructor fees & expenses	\$8,000.00	\$0	\$8,000.00
Room costs	\$500.00	\$0	\$500.00
Equipment costs	\$300.00	\$0	\$300.00
	\$9,800.00	\$6,000.00	Savings = \$3,800.00

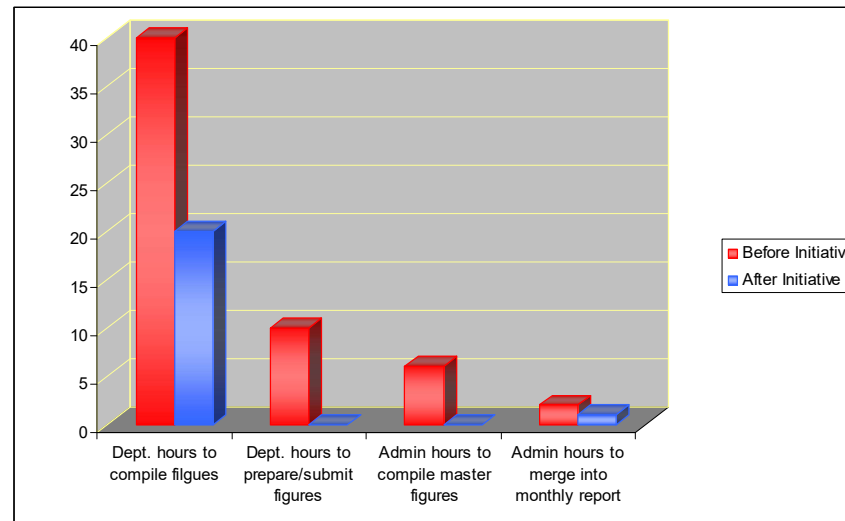
The savings are obvious at a glance. While elearning courses typically cost more to develop, the savings usually outweighs the initial costs. Also, the course can be reused with minor updates and minor relative costs each year.

Time Saved Example

In this example, we will look at the time it takes workers to prepare monthly expense reports related to training. Before the initiative, expense figures were tracked by each department using spreadsheets. These spreadsheets were sent to training department staff at the end of each month. The staff compiled the data from all departments into master spreadsheets. The figures were then merged into report documents.

Metric	Before Initiative	After Initiative	Result
Dept. hours to compile data	4 hours X 10 depts = 40 hours	2 hours per department X 10 depts = 20 hours	20 hours saved
Dept. hours to prepare/submit	1 hour X 10 depts = 10 hours	0 since the figures are in the centralized system	10 hours saved
Admin hours to compile all data	6 hours	0 since figures are automatically compiled	6 hours saved
Admin hours to merge into monthly report	2 hours	Less than 1 hour since the system merges directly to the document	1 hour saved
Total per month			37 hours saved

In our example system, many expenses related to training are automatically tracked. For example, the costs of facilities, equipment and supplies are all tracked in the new software as the training occurs and therefore do not need to be compiled at the end of the month. Departments are only responsible for compiling expenses submitted by staff for travel and accommodation related to training – and this data is entered into the new system rather than into spreadsheets. Since the data is centralized, no submission is required. Training department staff members can simply call up the figures and generate the reports they need. They then export or merge the data into the report document and prepare narratives as required. Visually, the time savings are impressive.



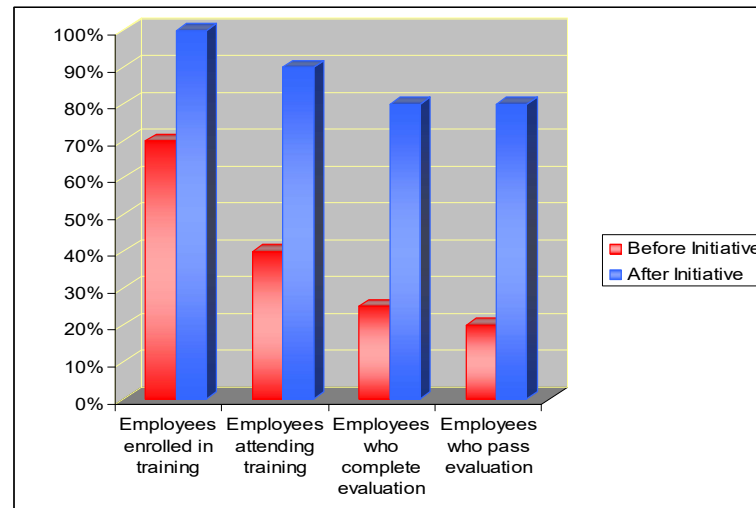
Compliance Rate Example

The following analysis is of compliance rates before and after a new learning management initiative. In this case, all workers must take training and complete an evaluation to meet government health and safety regulations. Before the initiative, administration staff did not have the ability to track each worker's progress through the compliance process. Administrators sent out notifications that compliance training was available, and later departments reported the number of workers who had: signed up; attended; completed; and passed.

With new learning management software, administrators can enroll workers directly into the mandatory training, track progress and instantly report on which workers have completed and passed and which have not. Administrators can now enroll workers who have not completed the course into another class until they eventually pass or other action is taken. At the time of the analysis, the following percentages might be obtained.

Metric	Before Initiative	After Initiative	Result
Workers enrolled in training	70%	100%	30% increase
Workers attending training	40%	90%	50% increase
Workers who complete evaluation	25%	80%	55% increase
Workers who pass evaluation	20%	80%	60% increase

In the old system, administrators had little control over the process. They had to rely on workers to enroll themselves or on supervisors to ensure that the training and evaluation completion happened. All the administrators could do was send out notices and hope for the best. With the new system, they have much more control. Visually depicted, the results look even more dramatic.



Performance Appraisal Example

A similar comparison could be used to measure performance appraisal completions before and after a new performance or talent management system is implemented. An automated system should make it easier for both supervisors and workers to complete appraisal forms, and thus the results should show an increase in numbers or percentages of finalized (closed) appraisal processes.

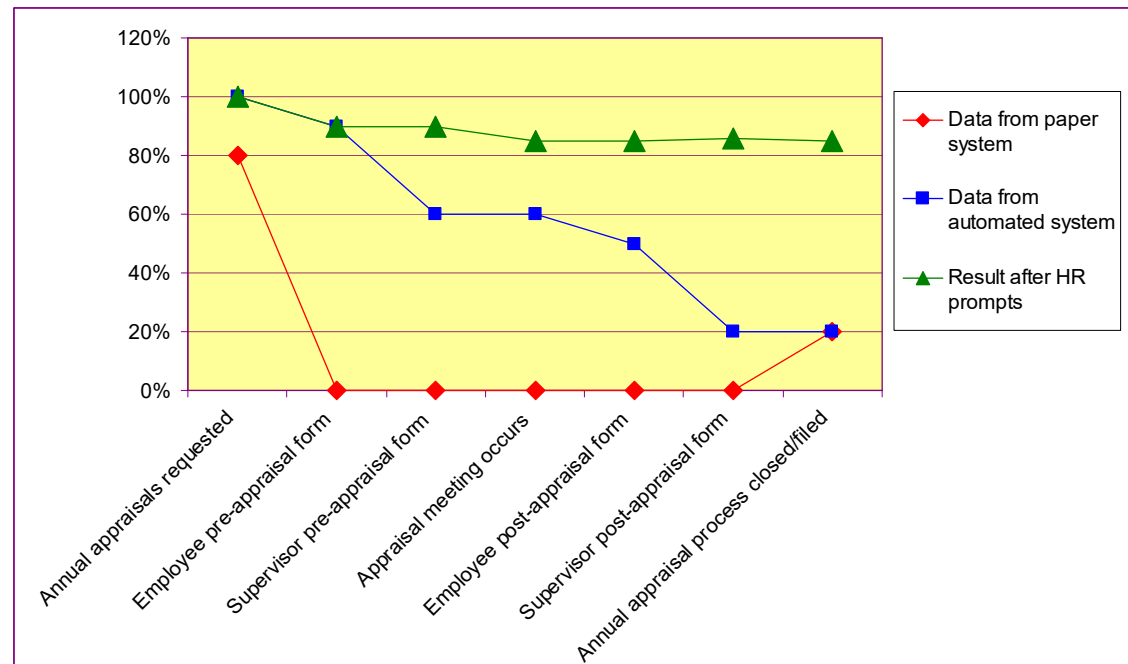
But the new system should also provide HR with the ability to track the process and see if and when breakdowns occur, and if those breakdowns happen at the supervisor level or at the worker level. HR can use the data to prompt for the process to be restarted until it is completed or until other action is taken. Again, this involves a change in process, but the software can provide HR with the information needed to keep the ball rolling.

Following might be the analysis with the before data from a paper-based system, the after data from the first year of an automated system, and finally the results after a new HR push to get both supervisors and workers onboard with the performance appraisal process.

Metric	Data from paper system	1st year new system data	Result after HR prompts
Worker annual appraisal requested by HR	80%	100%	100%
Worker completes pre-appraisal form	unknown	90%	90%
Supervisor completes pre-appraisal form	unknown	60%	90%
Appraisal meeting occurs	unknown	60%	85%
Worker completes post-appraisal form	unknown	50%	85%
Supervisor completes post-appraisal form	unknown	20%	85%
Annual appraisal process closed/filed	20%	20%	85%

The initial data from the first year shows that the new system was breaking down significantly at the supervisor level, something that may not have been apparent previously since this data was unavailable from the paper-based system. HR only knew that 20 percent of appraisals were closed and filed and the rest were not. For all HR knew, workers may not have been completing the forms and thus slowing or stopping the process. In this instance, workers seemed onboard, but supervisors

were not. Possibly supervisors did not feel they had time to perform appraisals or did not understand the value. Follow-ups would be needed to determine the cause, but once known, the problem can be rectified. Results show that appraisal filing increased to 80 percent.



Conclusion



The above suggestions and examples are for tangible outcomes that new software or processes can provide. But, as noted, there are many intangible and trickle-down results that are difficult to measure when implementing a new initiative. For example, meeting compliance can prevent costly mistakes, which can mitigate risks and liability – and in turn reduce stress. Improved access to data can reduce response times for time-sensitive issues, which can in turn reduce stress. Eliminating the need to travel can provide more time for other tasks that staff would like to tackle but did not have the time for before. Reducing staff turnover eliminates production delays that occur when mission-critical workers leave. Since hiring new staff is expensive (both in recruitment and onboarding time/costs), improving this process can save money and increase profitability.

Obtaining precise measurements of all the effects may not be possible, and measuring the bottom line alone may be deceptive to an overall success strategy. A classic example of this is with business initiatives that involve laying off workers to save money. There may be an immediate cost savings, however, service levels may suffer as a result, which may cause customers to leave, reducing profits in the long term. In this same way, a lack of instant cost savings at the beginning of a new project may not indicate that the project is unsuccessful. All other areas should be considered, and time should be allowed for the trickle-down effects to become apparent.

Be aware that attempts to measure the intangibles related to learning and performance have not necessarily been successful nor widely accepted as accurate. This difficulty goes hand-in-hand with issues related to valuing the human capital possessed by an organization. Much has been written on the subject of "human-resource accounting" in the past couple of decades both in academia and in the business world – mostly about its impracticality.

And don't spend so much time, effort and money measuring that you offset the improvements your new system is providing. If the measurements you seek are subjective or not easily available, assigning staff hours to the acquisition and measurement of data can reduce productivity. Be sure to measure only what is relevant to the implementation of the new initiative, and then use that information for future planning and even more improvement. But don't expect your new system to eliminate problems that were the result of poor planning, inefficient processes or organizational issues. Software is only as good as the processes and people it supports.

For information on how the GeoTalent Learning Management System and how it can provide your organization with return-on investment, please visit www.geotalent.com, call 1-800-616-5409 or email sales@geotalent.com.



About GeoTalent

GeoTalent is a unified Learning and Talent Management System that incorporates our TrainingPartner LMS. This cost-effective alternative to high-priced enterprise systems offers the customizability that GeoTalent customers have come to know.

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