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## **Rethinking LMS Features**

### **How Much Is Enough For Small Businesses?**

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*LMSs have traditionally been designed as enterprise solutions suitable for the use in large organizations. As some of the needs being met by those LMSs are being recognized by smaller businesses, they have effectively been priced out of the market. Recognizing which functions are most important to those smaller organizations and demanding them from suppliers will create new options available to meet their growing needs.*

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**A**t its core, a Learning Management System (LMS) is a software database that automates the registration, attendance, and performance record keeping for e-Learning (as well as other types of instruction) classes. At first it sounds pretty simple, but in reality, these programs generally fall into a class of software products that are called “enterprise solutions” because of their scale, cost to install and maintain, and number of features and functions:

Until recently, only the largest companies could afford an LMS from suppliers including: Oracle, Pathlore, Peoplesoft, Plateau, Saba, and SumTotal (Click2Learn + Docent). According to Josh Bersin, president and founder of the research firm, Bersin & Associates, the \$380 million LMS market will grow more than 15% in 2004. That leaves the future opportunity with smaller customers; those companies with 1,000 employees or less, who already are, or soon will be, searching for LMS solutions. e-Learning initiatives ranging from off-the-shelf or industry-specific customizable courseware, distance learning virtual classrooms such as WebEx, and increasingly sophisticated authoring tools have been widely embraced by smaller organizations. These smaller organizations will not be able to afford the LMS solutions available to large organizations and will most certainly require a different set of features.

To confirm the point, according to the same Bersin & Associates report, more than half of LMS purchases are to implement enterprise-wide skills and competency initiatives. While that is clearly an important motivator for large organizations, smaller firms are looking for more fundamental features: automated registration, attendance and performance record keeping mandated by compliance requirements, cost control, and workforce productivity.

Clark Aldrich, an industry analyst had it right when he wrote in the American Society for Training and Development (ASTD) publication, *Learning Circuits*, “LMSs ... bring the right learning to the right people at the right time.” This back-to-basics approach is indicative of the mindset of smaller organizations. The problem is enterprise LMS solutions are feature-laden, price-heavy and far too complex to be suitable for most small business environments. If enterprise LMS solutions are over the top for small businesses, what is the right solution?

### The 80/20 Principle Rules

The right solution for small business requires lowering the cost by eliminating all but the most critical features, simplifying the architecture to minimize or eliminate the need for IT intervention and making its operation as intuitive as possible. Rethinking LMS architecture begins with the application of the 80/20 rule in the following areas:

Small Business Constraints	Applicable 80/20 Rule
Which of the usual LMS features are most important for small business users?	What 20% of LMS features offer 80% of the value?
Which of the usual LMS features offer the least value to small business users?	Which 80% of features offer only 20% of the value?
What can small business LMS users afford?	What 80% of functionality can be produced for 20% of the usual cost?

### What can small business LMS users afford?

To keep the proverbial tail from wagging the dog, an LMS investment should represent no more than 20%-25% of the overall five-year e-Learning budget. It is reasonable to calculate the value of an LMS over five years because it should have such a life span if supported with annual service and upgrade contracts.

If an organization’s current training budget is \$100,000 a year and the goal is to shift half the budget to e-Learning, then the five year e-Learning budget is \$50,000 per year X five years = \$250,000 (see line three in the table below). Using the price estimate of 20-25% of the budget, the cost for the LMS should be \$50,000. (\$25,000 for the purchase price, plus \$5,000 per year for five years for support)

### Learning Management System (LMS) and the e-Learning Budget

	5 year e-Learning Budget	LMS Purchase Price	5-year LMS Support	e-Learning Content and Administration
1	\$50,000	\$5,000	\$5,000	\$40,000
2	\$100,000	\$10,000	\$10,000	\$80,000
3	\$250,000	\$25,000	\$25,000	\$200,000
4	\$500,000	\$50,000	\$50,000	\$400,000
5	\$1,000,000	\$100,000	\$100,000	\$800,000

The question is how do you find an LMS vendor willing to provide 80% of the most desirable features for 20% of the prices usually charged for Enterprise LMSs? Most LMSs are priced at or above \$100,000, with a few vendors offering systems that can be installed for \$50,000 - \$75,000. Yet there are virtually none with prices suitable for smaller organizations as discussed here.

It is important to note that those high-priced LMSs are designed for large organizations seeking robust, sophisticated, feature-laden, enterprise solutions. Those few with lower price tags do their best to mimic the same features.

Small organizations do not need the same set of features as their larger cousins. Small businesses have different needs, smaller budgets, and a completely different scale of implementation. In most other application venues, vendors have scaled back their software of nearly 80% of the most desirable features and offered the minimal package for just 20% of the original cost.

**Which of the usual LMS features are most important for small business users?**

The LMS must deliver the right training, to the right people, at the right time and keep accurate records of individual, group, and organizational performance. Every LMS offers these core functions, but their impact on small business is different from their impact on larger organizations.

**LMS Requirements for Small Business**

<b>LMS Core Functions</b>	<b>Impact On Small Businesses</b>
<b>System &amp; Course Setup</b>	Because small businesses have fewer IT resources, the LMS should be easy to setup and maintain and have minimal impact on the organization's IT resources. Users across the organization should be able to create, assign, notify and track performance without intervention.
<b>Instructional Assignments</b>	Every LMS must be able to manage existing curricula and assign available courses to groups of employees defined by job description, department, geographical location, shift, etc. Such assignments must be able to be overridden by managers and supervisors. Ad Hoc courses must be supported to keep pace with flexible smaller organizations.
<b>Learner Notification</b>	An LMS must have a mechanism (usually e-mail) to notify employees of pending learning events. Smaller organizations must have a strategy to deal with classes of employees that do not have active email accounts.
<b>Delivery</b>	A LMS must be able to deliver e-Learning courses via computer networks or the Internet. In addition, there must be mechanisms that permit other forms of training to be managed and tracked by the system including: live classroom, webinars, PowerPoint, CDs, videos, etc.
<b>Performance Tracking</b>	The LMS must track individual participation, scheduling, completion, and grades. Reports must be available to show individual, group, and organizational performance. Small organizations must have access to these reporting capabilities 24/7 without administrator intervention.

**Which of the usual LMS features offer the least value to small business users?**

Many so-called standard LMS features offer little value to many small businesses. For the reasons cited below, these features offer the least value to small businesses.

**Costly LMS Features That Might Be  
Less Valuable To Smaller Companies**

<b>LMS Functions</b>	<b>Value to Large Organizations</b>	<b>Value to Small Companies</b>
<b>AICC/SCORM</b>	AICC and SCORM are emerging industry standards for interoperability between content developers. In a large organization where building a comprehensive curriculum from the bottom up using multiple developers is the rule, rather than the exception, it is vital that a method exist to integrate development from multiple sources.	Smaller organizations generally add custom content slowly, over time, and try to integrate existing training modules such as video, PowerPoint slides, etc. none of which is AICC or SCORM compatible.
<b>Facilities &amp; Resource Management</b>	Many LMSs routinely manage classroom space, AV equipment, instructor schedules and other resources as part of any scheduled class.	Smaller organizations schedule classrooms with a simple sign-up sheet and have no facility resource management software with which to integrate.
<b>Statistical Analysis</b>	Every training manager dreams of analyzing every test question by performing a statistical analysis on every item on the test. There is value in validating every test, item-by-item.	In practical terms, few learning managers have the time to tweak their work and adjust tests unless blatant errors are identified.
<b>HRM Integration</b>	It makes sense for an enterprise LMS to talk to the Human Resource Management (HRM) system, and share files seamlessly. With so many employees in so many locations, it is a highly efficient way to record compliance and other training records with HR files.	Smaller organizations require less sophisticated integration. Many smaller organizations have no HRM system with which to integrate.
<b>Self-Registration</b>	In large organizations with an expansive curriculum and sophisticated career development plans, it makes sense for employees to be able to browse and register for available classes,	Smaller organizations struggling with OSHA, safety, and compliance training are more interested in required (assigned) courses than optional registration.
<b>Content Management (CLMS)</b>	Content is the “C” that is often associated with LMS, making it a CLMS. CLMS is a powerful tool that can track, store, and deliver learning objects (text, images, graphics, media, test questions, etc.) from a database that reduces re-work during course creation by allowing re-use and re-purposing in different training programs.	Most small organizations have from one to five developers, usually working in the same office drastically reducing the justification for a content learning management system.

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## The Most Important LMS Functions for Small Businesses

Four critical issues characterize the specific needs of small businesses:

1. Smaller budgets mean a mix of custom e-Learning with off-the-shelf courseware, both of which must be easily handled by the LMS.
2. Blended programs combine instructor-led training with e-Learning making notification and tracking a challenge for smaller organizations—a highly desirable function for an LMS.
3. Small businesses need to re-cycle and track existing PowerPoint programs as part of the LMS.
4. Fewer staff means little or no IT involvement and the need for the LMS to be easy to operate across the organization.

### Conclusion

Sam Adkins wrote in American Society for Training and Development (ASTD) publication, *Learning Circuits*, that “The top three customer demands in the enterprise are cutting costs, integrating existing technology, and increasing workforce productivity.” Small businesses generally will concentrate their resources more on cutting costs and increasing productivity than they will to integrate technology. This is because they are just starting out on the road to e-Learning and have little or nothing with which to integrate. Moreover since small businesses rarely have ERP, HRM, or other enterprise systems in place they do not have to pay the high cost of integration. Accordingly, in order to cut costs and increase workforce productivity, they need a specific set of features from their LMS and nothing more. When enough customers demand a feature-set at a price point that makes sense to a large enough segment of the market, the vendors will oblige.

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