

# Assessing Learning Management System Vendors:

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## Does Size Really Matter?

*This white paper will review the purpose and value of Learning Management Systems (LMS), types of LMS vendors and provide a comparative analysis of a number of these LMS vendors.*

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## I. Overview

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Organizations recognize that a key to maintaining an edge in today's competitive marketplace is effective development and management of their human capital, or sum of a workforce's skills, knowledge and experience. In the past, training departments were small contributors to the strategic direction of their organizations. However, with the focus now on Human Capital Development and Management (HCDM) the role of training is of critical value and is considered a strategic responsibility of the entire organization.

Learning Management Systems (LMS) are gaining popularity as organizations turn toward technology to provide an effective and efficient method of distributing learning across the enterprise. Essentially, an LMS is a software application or Web-based solution used for planning, delivering and managing all learning events within an organization, including virtual classroom, instructor-led and online courses. With this demand for learning management solutions, it is no surprise that the marketplace of LMS vendors and their products is a dynamic and highly competitive one. Many LMS providers are relentlessly churning out add-on modules and integrating features that increase the systems ability far beyond the core functionality. These extras range from skills management tools to those that analyze employee performance based on enterprise wide initiatives.

LMS buyers have a very difficult and highly visible decision in front of them. Tom Barron, author of the LMS Guess, says "As more organizations migrate toward e-learning, or upgrade earlier systems, they inevitably face a tough choice – one analogous to choosing an operating system for their computer or an ERP system for their organization. In selecting an LMS, training professionals must choose among a wide array of systems that will form the bedrock of their e-learning infrastructure. It's a major commitment – one they'll be proud of or live down, in the months and years ahead."

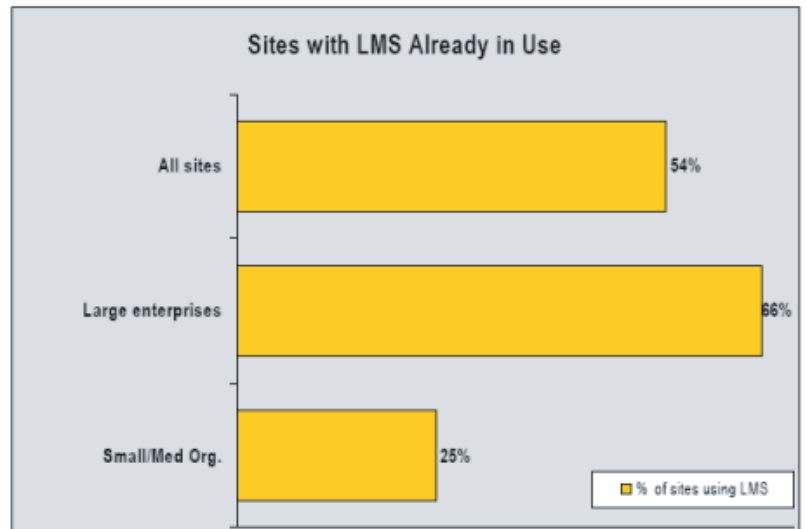
*"LMS buyers have a very difficult and highly visible decision in front of them. It's a major commitment - one they'll be proud of or live down, in the months and years ahead."*

*- Tom Barron, LMS Guess*

## II. Who needs an LMS?

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Adoption of LMS' among companies of all sizes is widespread and becoming mainstream. Any company who has the need to manage, deliver, track and report on learning is able to realize a significant return by successfully implementing an LMS. Bersin & Associates and LTI magazine recently surveyed over 6,000 subscribers to understand their LMS usage. Their results indicate that although large organizations (>1000 employees) are almost three times more likely to purchase an LMS than small/medium companies, approximately half of all the sites surveyed –including large and small businesses, government and educational institutions – currently have an LMS installed.



## III. LMS – Value to All Organizations

Amongst all the bells and whistles and variety of vendors, it is easy for LMS buyers to lose sight of the primary purpose of these solutions. However, in order for buyers to choose a system that will result in successful learning management, it is essential to focus on their organization's motives to purchase a LMS.

The core of a typical LMS is its ability to automate the advanced administrative tasks associated with coordinating learning events, such as course registration, scheduling and tracking. The effective management of learning events is a key variable of success for all training organizations. This equates not only to the efficient distribution of learning to employees, but also provides a significant return through time and dollar reductions.

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Bersin & Associates reported in their LMS State of the Market report of 2004 the core reasons organizations purchase an LMS. The top three reasons stated were management of training administration (47%), management and deployment of eLearning (41%) and consolidating training information (37%).

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## IV. LMS Vendors – History and Vision

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Although selecting a system that provides just the right functionality is crucial, the buying decision extends to the LMS vendor as well. Buyers should remember that they are not only purchasing an LMS system, they are deciding on a long-term relationship with an LMS provider. When searching for the right vendor for your organization, it is important to first look beyond the obvious characteristics, such as the company's size, and to measure the quality and integrity of the vendor. You can begin by looking into their history and vision.

LMS vendors can be classified in three different categories based on their motive to begin the LMS business.

- **Content Perspective:** Vendors who provide e-learning content (CBT, WBT) and developed a system to deliver their content to customers would come from the content perspective. They developed an LMS to manage and distribute their content and are now selling both their content and their system.

- **Technical Perspective:** These vendors come from a technical or engineering point of view. Software companies who came across a client need for learning management and developed a system which they now offer on the open market to providers of HR and ERP solutions would be included in this category. Kevin Oakes, in his article Supplier Savvy, makes a strong point about vendors from this perspective. He says, "the power of corporate learning technology is its ability to leverage corporate knowledge as an asset to increase worker productivity and, ultimately, business performance. Knowledge,

learning, and information are seemingly natural areas [for enterprise software companies] to expand into because they can easily be rationalized as being synergistic with whatever traditional software industry these companies are currently in, all generally designed to increase worker productivity and business performance."

- **Educational Perspective:** These are companies who are experienced in the educational market, such as training companies or higher education institutions. These providers developed their own system based upon an internal need to automate and manage their own business processes.

Despite the starting point of each vendor, LMS standardization requirements have forced each to ensure their system is open and robust. However, the vendors in these categories vary significantly in their history and vision, which can often be seen in the design of their systems.

## V. Evaluating the Characteristics of LMS Vendors

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One of the most apparent characteristics of LMS vendors is the size of the company, which contributes to certain characteristics that must be taken into consideration. LMS vendors can be divided into two types: established and nimble. The established vendors offer the large-scale systems and are often the enterprise software vendors or e-learning content providers who grew their business prior to expanding into the LMS marketplace. The nimble or new players are often those growing their business based on their learning management system. Positive and negative characteristics can be seen in both the established providers and the new or nimble players. The question is: Does size really matter?

### *Advantages of Established Vendors*

**Well-Known** - These vendors have been in the marketplace for several years and often dedicate substantial dollars toward marketing efforts, allowing them to be much more visible to prospective customers.

**Ready Access to Capital Markets** - These are usually publicly traded companies, which are backed by a number of investors. This ready access to capital markets leads to perceived stability of the provider.

**Large Customer Base** - Their large customer base indicates they have conducted numerous LMS rollouts. This previous experience or lessons learned can be applied to new client implementations.

**Ready to Integrate Content** - Additional system features and functionality are readily available for integration upon deployment. Course content in the form of computer or web based training may also be provided as part of the system.

**Complete Solution** - Established vendors offer a range of features and modules to supplement their standard system, providing one stop shopping for clients.

### *Disadvantages of Established Vendors*

**Inflexible** - There is little room for individual customization requests outside of the initial implementation due to the large customer base these vendors must maintain. In a private research study, 7 out of 10 clients were displeased with their large scale LMS due to the inability to make subtle changes to the system.

Kevin Oakes, author of *Supplier Savvy*, discusses the inflexibility of enterprise software companies. "Aside from nuts-and-bolts functionality, a disconnect often seems to exist [with enterprise software players] in the fundamental approaches to solving business problems... The primary paradigm is to map and fit with a business process. The data – once created – is often static, designed not to change. But the opposite is usually true in enterprise human capital development and knowledge management. Learning often doesn't map to a business process; it cuts across business processes and adapts to them... The fundamental learning paradigms of personalization, adaptability, and flexible architectures go against the original paradigm of many enterprise software systems..."

**Expense** - Significantly higher prices typically accompany these large-scale systems. The Bersin & Associates and LTI magazine study evaluated the implementation costs of LMS systems in small, medium and large businesses. The average implementation cost for all businesses is \$400K. An organization with more than 5,000 employees can expect to spend between \$500K and \$1M for the initial investment.

	Average Implementation Cost for LMS	Average Cost per Target Learner
All Businesses	\$400,000	\$50
Large Businesses (> 1,000 employees)	\$450,000	\$42
Small and Medium Businesses	\$97,000	\$85

Prices of large scale systems are driven up by extra features and enhancements integrated into even the most basic versions. In addition, client’s dollars go to pay for the vendor’s large overhead and huge marketing budget, which provide absolutely no value to the client. It is not surprising small companies have difficulty locating a cost-effective LMS solution.

**Slow to Respond** - A slow response time can also be contributed to the large customer base of these vendors. It is difficult for clients, in particular the small to medium size companies, to get priority with service and support. Furthermore, the established vendors focus on efficiency within their own organization, compromising the quality of their customer service. For example, there is a growing trend for large companies to outsource their customer support to offshore suppliers – resulting in a substantial dollar savings. Have you ever tried to get support from a helpdesk technician on the other side of the globe whose second language is English?

**Focus** - Rapid expansion is the focus of these vendors. They not only want to expand their products with features and functionality of their existing systems faster than the competition, but also look to quickly expand their business into many different technological industries.

**Established Processes** - The business processes of established companies have evolved over several years and are set, even rigid. Quickly changing to remain competitive for individual clients would be difficult, if not impossible.

**Perceived Stability** - The stability of many of these companies is really a perception in the marketplace. Simply because a company is publicly traded and backed by investors, does not mean that they are realizing profits. Actually, most of these companies are spending more dollars than they are bringing in. Buyers should be careful to check the financial reports of prospective providers. Additionally, mergers and acquisitions seem to be common place with many LMS vendors, buyers shouldn’t be surprised if the system they purchased today changes tomorrow.

## *Positive Characteristics of Nimble Vendors*

**Flexibility** - As with any small organization, they are able and willing to quickly change their business processes to meet client needs or direction of the marketplace.

**Vision** - Typically, nimble vendors concentrate on solving client's inefficiency problems rather than simply selling them software. Their focus is on developing a strong core LMS system designed to effectively automate their client's processes. The essence of the nimble vendors vision is patience, passion and commitment.

**Cost-Effective** - Due to lower overhead and innovative pricing structures, the systems offered by nimble vendors are affordable for even the smallest organizations.

**Personalized Attention** - With a more focused customer base, each and every client receives the highest priority. Clients can expect to receive top quality customer service and support.

**Willingness to Grow with Client Needs** - Clients are offered the ability to begin with a strong implementation of a core LMS and grow, as needed, to incorporate additional features and modules.

**Software Customization** - Nimble vendors are dedicated to ensuring an optimized implementation of each system through first thoroughly assessing the specific needs of each client.

## *Nimble Vendors – Characteristics to Consider*

**Fewer Available Features** - Nimble providers generally have fewer dollars dedicated specifically toward the development of new features that do not directly impact the functionality of the core system.

**Small Customer Base** - These vendors have implemented fewer client systems than the established vendors and therefore have less experience to leverage.

**Controlled Growth** - Due to resource allocation and the amount of customization offered to each client, these vendors can usually take on only a few new implementations per month.

**Perceived Stability** - The majority of these providers are privately owned companies, therefore there are not any investors and their financial information is not publicly available.

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Both types of providers have a number of areas in which they excel, it is important for buyers to determine which qualities are most valuable to their organization.

### **Established Vendors**

**Well Known in Industry**  
**Large Customer Base**  
**Offers Complete Solution**  
**Ready to Integrate Content/Features**  
**Perceived Stability**  
**Possess Ready Access to Capital Markets**

### **Nimble Vendors**

**Provides Personalized Attention**  
**Flexible Solutions**  
**Focuses on Software Customization**  
**Cost-effective Systems**  
**Focus on Solving Clients Inefficiencies**  
**Willing to Grow with Client Needs**

## VI. Conclusion - Determining What is Most Valuable

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Given the apparent visibility of this purchasing decision, LMS buyers need to determine what is most valuable. One of the top purchasing drivers for LMS buyers is increasing the visibility of training. Even if this is not the primary goal of an organization, implementing an LMS will undoubtedly increase the awareness of training simply based on the number of individuals who will interact with the system. Let's consider a scenario for a moment from the perspective of an LMS buyer:

You have recently purchased a large-scale LMS system, complete with all the bells and whistles – skills gap analysis, competency management, etc. Your IT department has spent a significant amount of time and dollars rolling out a new software tool designed to assist clients with purchasing widgets from your company. As the training director, you are responsible for delivering timely and effective training on this tool to over 1,000 clients. You assume that the system will carry out this rollout with no problem and focus your efforts on taking advantage of its elaborate features. However, your new system is not intuitive, your training staff did not receive adequate training on its proper use, and your vendor has been uncooperative with providing necessary support. This has resulted in numerous problems during the first day of your client training rollout.

Your instructor received incorrect course information and has not arrived to the class. The wrong software has been loaded on your machines. Twice as many students have arrived to the class than your room can hold. And, to top it all off, the course material located in the classroom is one of your internal and confidential manuals!

Is this the type of scenario you want to be highly visible in your organization?

LMS buyers can steer clear of potential problems such as this by carefully evaluating the quality and integrity of both the system and the vendor. When purchasing an LMS system, or any system that automates a part of your business, you are buying a business process – what kind of process are you getting?

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*“Learning is a different animal from the typical enterprise business application; it requires inherent expertise with adult learning design, theory, and success factors, in addition to numerous other nuances unique to the learning field. Though the large IT vendors might have the technological expertise, it takes real expertise in learning and education to develop successful learning technologies and to help companies use them successfully. That isn't just another enterprise software market, it's more complex than that.” - Kevin Oakes, Supplier Savvy*

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## VII. About ITS

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Without a doubt, purchasing an LMS can be intimidating. The decision on which system and vendor to choose is a long-term and highly visible one. Buyers should ensure their vendor of choice is able to provide the most value to their organization.

For the past twelve years, ITS has been a leading provider of learning services, specializing in all aspects of corporate learning. The origin of the ITS LMS is based on an underlying need to facilitate efficient management of our learning programs, and those of our clients. The ITS LMS was created over seven years ago with maximum attention given to real needs and issues surrounding the management of learning events and related corporate needs (an LMS built by a training organization for training organizations). The core value of our LMS lies in our ability to tailor the system to our clients' specific environment.

To learn more about the ITS LMS please visit our website at <http://www.itsinc-us.com>.

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