

BUILDING AN AIRTIGHT LMS BUDGET

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Leadership in the learning and development (L&D) space is about more than just great content – it's about delivering excellent training that engages, informs, and challenges learners.

Leaders in the c-suite often understand the need for an eLearning solution, but when it comes to getting budget allocation, commitments for learning technology can be a challenge. Those who are managing costs within the organization must be reassured that the solution will be effective, that it will improve the pace of onboarding and boost employee performance, and that L&D costs will eventually be reduced as the company's training program becomes leaner and more efficient. This comes with demonstrating the ROI of a software investment, something

that should accompany building a budget.

The best starting point for building a business case for an LMS includes executing a competitive analysis, cost benefit analysis, building c-suite buy in, providing data-driven proof points, and establishing the ROI of a software investment, to name a few. But one other key step is building an airtight budget that covers all the bases of an LMS. An LMS budget, if handled badly, can result in unfortunate surprises like cost overruns and protracted implementations.

But, don't get discouraged! To help you get the buy in you need, Docebo has pulled together this roadmap to building the right LMS budget.



1. ASSESS THE CURRENT STATE

As a starting point, let's consider some of the questions that occupy the minds of L&D leaders today. These include, but are not limited to: how much does the average company budget for L&D? How do most companies allocate their funds? Who is normally responsible for developing L&D budgets?

The first question is tough to answer, since companies of varying sizes will spend different amounts on L&D. But, it is possible to approximate L&D budget sizes for small, medium, and large companies'. According to a recent Brandon Hall Group (BHG) study on 2017 training benchmarks, most small businesses (44%) spend less than \$10,000 USD, and 14% spend between \$10,000 and \$25,000. Only 6% surveyed spend over \$1 million.

For medium businesses, only a fraction (9.3%) spend less than \$10,000 annually, and 50% of businesses sit in the six-figure territory, spending \$100,000 to \$500,000. For large enterprise, these numbers swell, with 22.9% spending \$1 to 2.5 million, and 27% spending between \$2.5 and \$10 million.

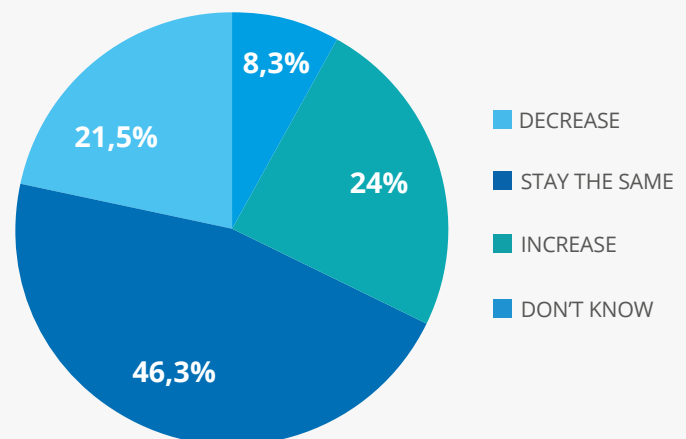
While there are outliers – those that spend excessively on L&D and those that barely spend at all – what's clear here is that organizations of all size realize L&D budgets are simply a cost of doing business and will spend accordingly.

So, who is responsible for developing L&D budgets? This varies, based on an organization's size and maturity.

Generally, *the head of learning or CLO or the head of HR are the responsible for developing L&D budgets*. However, in small organizations the CEO is charged with managing L&D budgets. This is completely flipped in large enterprise where only 1.9% of CEOs are responsible for L&D budgets and CLOs take the lead.

It's also interesting to look at is how survey respondents expect budgets to change in the coming year – good information for any L&D leader to consider as they build eLearning budgets. According to BHG, nearly one half (46.3%) of organizations expect L&D budgets to stay the same in the next year. And while 21.5% expect budgets to decrease, 24% expected them to increase – a positive sign, and one that reminds us many businesses still view L&D as central to organizational success.

WHAT DO YOU EXPECT TO HAPPEN TO THE TRAINING BUDGET NEXT YEAR? (N=121)



Source: Brandon Hall Group, 2017 Training Benchmarks

KEY TAKEAWAYS:

- WHILE MOST L&D BUDGETS ARE EXPECTED TO REMAIN THE SAME, 25% ARE EXPECTED TO FALL WHILE ANOTHER QUARTER ARE EXPECTED TO GROW.
- YOUR L&D SPEND WILL REFLECT YOUR BUSINESS SIZE. SMALL ORGANIZATIONS TYPICALLY SPEND \$10,000 TO \$25,000; MEDIUM ORGANIZATIONS SPEND \$100,000 TO \$500,000; AND LARGE ORGANIZATIONS SPEND \$1 MILLION TO \$10 MILLION.

2. FUTURE PROOF YOUR BUDGET

So, whether or not your organization has plans to grow, shrink, or stay the course with its L&D budget for the coming year, let's look at the factors that are too often either downplayed or ignored outright when crafting a budget for an LMS solution.

PEOPLE POWER

Too many companies and L&D professionals expect that an LMS will automate everything and eliminate the human element. This couldn't be further from the truth. Although the LMS can eliminate and automate some human involvement, there will always be a need for self-aware decision making in the following areas:

- Administering the LMS
- Managing integrations
- Server system deployment during implementation
- Ensuring content is accurate and up-to-date
- End-user support

When planning for an LMS implementation, it is important to think about existing and additional resources that will be required to implement, manage, and monitor the LMS, – including administrators, IT support, and learners.

Consider this: when asked how L&D budget is allocated, the majority of respondents to BHG's benchmark study indicated that internal L&D staff led the charts at 31.8%. Internal tools and technologies followed not far behind 10.2%. It's clear that staffing and technology are priorities for most organizations, but too often those preparing budgets fail to comprehensively lay out anticipated staffing requirements, and this can prove problematic, especially when you have to go back to senior leadership after budget approval, asking for additional approvals for further resources.

“Content can be the single most expensive part of a learning program.”

CONTENT COMMITMENTS

One key thing those new to the LMS sphere are frequently unaware of is the fact that the LMS and content are two separate things. The LMS primarily focuses on:

- Content delivery
- The user experience (UX)
- Activity tracking

Content can be created through a number of other sources, including:

- Buying content (i.e. through a content marketplace)
- Creating original content (using authoring tools)
- Migrating content from existing sources
- A blend of any/all of the above

Many – especially first-time buyers – overlook the fact that the content component is a separate investment from the LMS itself but not only is it essential to deploying a functional LMS, but it will be the single most expensive part of a learning program, in most cases.

If you are just getting into the LMS game it is advisable to take baby steps: work with the existing presentation slides, tests, quizzes, etc. you have used to date and incorporate them into the LMS. When the time comes, you can migrate towards content authoring tools, which are another ideal means of developing content as you do not have to sacrifice ownership of the content you create. This can be differentiated from the rare breed of LMS solutions that purport to be content authoring tools as well. These solutions represent a tricky path since, should you ever switch to another LMS, your organization risks losing some or all of its learning content.

FEATURES AND SCOPE OF SOLUTION

When it comes to any LMS, there's "the beater", "the Cadillac", and the "mid-sized, economy car". Pay attention to your actual key requirements when it comes to your organization's needs and ensure your prospective solution has a feature set that aligns with your objectives.

FEATURES AND BENEFITS MAY INCLUDE:

- **Exceptional Design and User Experience (UX):** An effective eLearning solution has to be used. Learner experience is the weakest link in the eLearning chain. Take time experimenting with the solutions under consideration and even have a select group of future users test them.
- **Flexible and Configurable:** No two organizations are exactly alike, and you might need a solution you can modify and adjust to suit your company's preferences. Ensure you are not being handed an off-the-shelf, out-of-the-box product that can't be tweaked to meet your unique needs.
- **Mobile Learning, Online and Offline:** Mobile learning is a key part of modern learning, and many organizations are realizing the effectiveness of getting learners learning on an ongoing basis, at their own pace, on the go. Find out a solution that has a mobile component as part of its offering.
- **Extended Enterprise Training:** No man is an island, and no business is a silo. We're dependant on all of the other organizations in our ecosystem (customers, partners, members, etc.) to achieve success. Ensure your solution can handle extended enterprise training in order to efficiently train everyone across your customer and partner network.
- **Formal, Informal, and Social Learning:** The old model of instructor-led training (ILT) and classroom-based learning will never fade away, but they have taken a backseat to experiential and social learning. Seek out a solution that marries social and informal learning with technology for an LMS that facilitates learning and onboarding.

These are only a few of the key features and benefits you should consider during your search - ensuring that your project needs are met and exceeded.

KEY TAKEAWAYS:

- **DON'T FORGET TO BUDGET FOR STAFFING REQUIREMENTS. LEARNING TECHNOLOGY CAN REDUCE BUT NOT ELIMINATE THE HUMAN FACTOR, SO ACCOUNT FOR LMS ADMINISTRATORS AND IT RESOURCES.**
- **IN ALMOST ALL CASES, AN LMS AND CONTENT ARE NOT ONE. FACTOR THE COSTS OF CONTENT INTO YOUR BUDGET SINCE IT OFTEN REPRESENTS THE SINGLE LARGEST COST OF A LEARNING PROGRAM.**

3. IT REQUIREMENTS AND THE INEVITABLE IMPLEMENTATION

A frequently overlooked component of the LMS search is the technical requirements checklist. It can be hard to assess a hard dollar amount for the requirements here, but in general there's a difference between the short-term IT resources required during the implementation phase, and the long-term IT resources required to manage and expand the technological scope of the LMS.

A FEW KEY THINGS TO CONSIDER INCLUDE:

Whether you are planning to integrate the LMS with Human Resources Information Systems (HRIS), Customer Relationship Management (CRM) systems, Enterprise Resource Planning (ERP) systems, etc. Such integrations – which can ultimately save the organization a time, money, and headaches – are best overseen by a dedicated tech resource that knows the ins and outs of integrations.

Whether or not there is any customized development of the interface through CSS. This isn't something a neophyte with little IT experience will want to jump into. Plan to have a dedicated resource available who will know exactly how to manage customizations if you plan to include them in your rollout.

Is single sign-on (SSO) a factor in the equation? If you're familiar with SSO, you know it makes it a lot easier to (securely) jump into an application without much friction. If you've used SSO in a learning context, you know it makes it much easier to engage with the LMS and learning content. However, in order to manage SSO securely and comprehensively, you'll need to factor IT resources into the equation.

NAVIGATING IMPLEMENTATION

Finally, let's talk about implementation – a necessary step in any installation. The price and time range will vary depending on the amount of data and the vendor, but implementation is definitely something to account for if you require a large migration.

Along with the migration of content and data, there's going to be an implementation fee. Here it is absolutely imperative to make sure you understand what you are getting as a part of your implementation package. For example, will the vendor:

- Provide a dedicated implementation specialist?
- Training for administrators?
- Define exactly how many hours of training will be provided?
- Offer a dedicated customer success manager?
- Provide a guide to implementation?

These are all important factors, however, it is important to realize that, although customers should be prepared for these costs, they are almost only upfront costs, and will not recur on an ongoing basis after implementation.

KEY TAKEAWAYS:

- **YOU'LL NEED DEDICATED IT SUPPORT TO MANAGE INTEGRATIONS, CUSTOMIZATIONS, ETC. THROUGHOUT THE LIFE OF YOUR LMS.**
- **TO AVOID ANY IMPLEMENTATION SURPRISES, ENSURE YOU HAVE A CLEAR IMPLEMENTATION PLAN WITH YOUR VENDOR AND THAT WOULD IMPLEMENTATION FEE COVERS ALL BASES.**

CONCLUSION

While it can be challenging to justify the purchase of eLearning solutions, carefully building your budget while you build your case will help manage expectations and keep the process surprise-free. With a little planning, you can build a lean and realistic budget that accounts for all contingencies and practically guarantees approval – paving the way for successful training and development initiatives in your organization.



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