How to Select a Learning Management System (LMS) for small to medium sized businesses

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How to Select a Learning Management System (LMS), for small to medium sized businesses

The number of LMS’s on the market today is almost staggering, and new ones are popping up every week. With some estimates approaching 600 different systems, how can your small to medium sized business effectively wade through the sea of LMS products and evaluate the best solution for you. While there are a couple whitepapers written on how large organizations can methodically go through a lengthy process to acquire an LMS, these steps may be too costly and ineffective for the average small business.

This whitepaper is specifically written for small to medium sized organizations (roughly 5,000 employees or less) that are in the process of searching for an LMS.

Your Challenge: Find the right LMS

You probably realize that the challenge is obvious. You need an LMS, and there are way too many choices. The cost and feature range of the various LMS products are all over the map. You need to decide what you need and how much budget you have. While that may sound simplistic, the challenge is you don’t know what you don’t know. If you never had an LMS in the past, how do you know what you need in an LMS? In this paper we will break down these two major categories (features and cost), and discuss how to apply those to a selection process.

Your Budget: Set your annual LMS budget

As a smaller organization, this is probably your biggest hot button. Pretty much without exception, an LMS system is an annual expense, so you must assess your annual budget. Most LMS providers that focus on small to medium sized organizations will offer their LMS as a Software as a Service (SaaS) solution, while a small few will also offer an installed solution. The cost for a SaaS LMS solution will usually be based on your number of users. As your user count rises, while your overall costs will rise, your cost per user will usually decrease. In general, you should never need to pay more than $5/month per user. A general rule of thumb is that if you have 500 or less users, a SaaS solution is normally your most cost effective choice. At the 500 user level, your solution should not be more than $2/month per user.
If you are a larger organization with more than 500 users, you may want to consider an installed version of the LMS if you can find an affordable solution. Installed solutions will usually consist of 3 items, which are the LMS software license, hosting, and support and maintenance. Unlimited user installed LMS licenses will range from as low as $10,000 (onetime), to well north of 6 figures annually. These installed solutions may be installed and hosted either on your qualified Web server, or the vendor may provide Web hosting services for you. Due to the enormous range of costs for installed solutions, the only guidance we can provide is that the lowest cost LMS installed solutions might cost as low as $10,000/year, while the higher priced ones would be well over 6-figures annually.

Your Features: Determine your LMS feature criteria

With a rough idea as to what an LMS will cost you, you now have to decide on the features you need. It is very important at this stage to realize that no two LMS systems are alike, and you will want to start to measure the “value proposition” using the cost vs. the included features. There are many “low cost” LMS products on the market, but the range of features within each is quite wide. Your goal is to find as many features as you require with a reputable supplier at the lowest possible price. Once you determine the features you desire, rank them in order of importance. This will be important when you begin to contact LMS suppliers, as they will better understand what is most important to you.

Don’t buy more than you need: Make no mistake, the relationship between LMS price and functionality is not linear. There is a tendency for companies, as they start to investigate LMS features, to want to pile on the bells and whistles. It is tremendously important to be judicious about what you really need and want in your LMS. Not only will the price grow exponentially, but so too will the complexity and usability (or lack thereof) of the system. It is very often we hear about companies who hate their LMS, paying exorbitant prices for complex systems that have features they never use. Don’t be one of those companies.

Just an LMS or more You actually should figure this one out first. Are you looking to get just an LMS or do you need your LMS to do more than traditional learning functions. While most complex level LMSs are used in large organizations due to their cost and sophistication, a small number of medium sized organizations may also desire some of these features.
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Complex systems will do much more than just learning management. Some may refer to this type of LMS as “Enterprise”, which may actually be incorrect. Enterprise typically means that the LMS is incorporated across your enterprise vs. it has enterprise features. These complex systems may have Talent Management, Career Plan Management, Physical Resource Management, Certification Management, Data Analytics, etc. They will also offer all the features of most standard LMSs listed below. For reference, costs for complex level LMS systems start at about $50k/year and up, so make sure that you truly require these functions before randomly requesting them as noted earlier they will run the cost of your LMS up significantly.

**LMS Reporting:** This is probably the biggest reason why you are looking to get an LMS, so that you can track and report on everything that has happened (or with some, about to happen). In general, you are looking for flexibility with your reporting capabilities. Many LMSs offer a set of “canned” report templates, with a limited ability to generate others. Canned templates are great, but regardless if you get premade templates or not, you will want the ability to make your own templates because you will always have a unique need. Make sure that you can export the report in a standard format (like .csv) so that you can use it in other standard programs (like MS Excel). Some systems will have advanced delivery options like automatic subscriptions where your report can be sent to you directly on a reoccurring scheduled basis. This is a big time saver. Bottom line, find a reporting system that lets you make the reports you want and lets you get them delivered the way you need.

**LMS Certificate Generation:** While a few authoring tools will allow you to create a certificate in a lesson, many do not. Even if they do, the LMS may not have access to these certificates, or can report on the award of them. If your current training situation depends on the issuing and tracking of certificates, make sure that this is an included feature within the LMS (not the course authoring tool).

**LMS Content Standards:** There are several content standards that an LMS will support. The original standard for computer or Web-based training is considered to be AICC. While it is rare that new courses are published to this older standard, you may have legacy courses where you need your LMS to support it. The primary standard currently is SCORM (*Shareable Content Object Reference Model*) and virtually every LMS supports this standard. There are two main versions, which are 1.2 and 1.3 (aka 2004), and not all learning management
systems support both. SCORM 2004 gives you more flexibility in your lesson, so all things being equal, an LMS that is compatible with both SCORM versions will give you more options in deploying and reporting for your courseware. The final standard is an up and coming new standard called “Experience API or xAPI” (originally known as Tin Can API). While many of the course authoring tools have incorporated this new standard, most of the LMS companies are still in the process of incorporating this standard (if they will) into their products. All this said, at a minimum, make sure that your LMS is at least SCORM 1.2 compliant and preferably 2004 as well. If the LMS you are looking at has a built-in SCORM compliant course authoring tool, make sure that it creates and can export SCORM compliant lessons. This will be critically important should you ever decide to change to a different LMS and want to take your courses with you. You never ever want to get an LMS that is not compatible with one of these standards, as you would have no other options to export your courses should you decide later to upgrade to a standard LMS.

**LMS eCommerce Integration:** Do you want to sell your courseware online within the LMS? If so, you will require a built in eCommerce system or API connection that allows connection to an external one. At a minimum, you will want the ability to purchase single courses as well as groups of courses. They may also offer coupon codes, which is a plus if you plan to offer discounts and promotions.

**LMS User Grouping:** Are your users categorized in any way? Do you need them to be in one or multiple groups? Do you need reporting and management permissions attached to these groups? Managing users by groups is a more advanced feature in an LMS, but you will find it to be a really big time saver down the road. While there are not as many LMSs that support groups, it would probably be worth your time to narrow down your list to those who do. For those that do utilize group features, find out how much automation can be done within that group structure (automatic reports, enrollments, permissions, etc.). Grouping can be complex, so it is usually the easiest just to explain your scenario to a prospective vendor, and have them explain how their system will (or will not) accomplish it.

**LMS Branding/Whitelabeling:** This is a biggie. Some LMS’s allow a lot of flexibility with branding the site, while others have very little that you can change. This feature is known as whitelabeling, which allows a company to customize the look and feel of the LMS with their
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own company’s branding. On average, most companies want their learning portal to reflect their own image and branding, so make sure that you find a system you can configure to look the way you want it to look. The more you can configure yourself, the better.

**LMS Permissions:** Many people don’t think about permissions when searching for a learning management system, but this overlooked feature is critical to effective user management. Bottom line, you want as many configurable permissions as you can get. Configurable permissions will allow you to create specific targeted management scenarios, like person 1234 can have admin and reporting rights for group ABC. Look for systems with at least 5 permission types, with 10 or more being exceptional. Permissions are simply the mechanism that allows which users to do what. Look for systems that allow you to set the levels of your admins (as you know, one size does not fit all). Your LMS has many parts. Look for systems that allow you to assign those parts to different people.

**LMS Automation:** Several functions in an LMS can be automated, and the more that is automated, the less you will need to do manually. Automatically triggered features to look for include email notifications, course enrollments, group membership, permission assignment, certificate awarding, and report subscriptions to name a few.

**LMS Integration:** Do you have the need to connect your LMS to another program like your HR system? If so, make sure that your LMS has the ability to do so. Very few will have built in direct connections to the specific program you have, so this will usually be accomplished via a configurable API in the LMS. Most API’s will allow an external program to pass information to your LMS, like using Single Sign On. They will also let your program request information, like user records. For LMS systems that can be installed behind your firewall, your LMS may also have the ability to directly connect to an LDAP like Active Directory. If you have a specific external integration need, make sure that you discuss this in detail with your proposed vendors.

**LMS Content Delivery/Management - Synchronous or Asynchronous or both:** Most people use an LMS for Asynchronous delivery of online courseware. If you only plan to sell your courses online, this is the only feature you need and virtually all LMS’s do this. Many organizations however would like to incorporate all their training into an LMS, which will include synchronous training like classroom or web meetings. If synchronous training events are important to you, make sure that you find the LMS’s that support those events. Keep in mind that synchronous training may not be able to be as automated as asynchronous, as now
you have live instructors involved in the process. At a minimum, make sure the LMS can schedule live events, and get them on your personal calendar since they are day and time dependent.

**LMS Miscellaneous features:** Besides the above key features, other features that may be of interest to you include:

- self-registration or enrollment
- social networking
- course and/or lesson prerequisites
- course catalogs with search capability
- mobile compatible courseware
- multi-lingual support

**Your Search: Finding a qualified LMS vendor**

You now have a rough budget and a list of features that you desire, and all you need to do is match your criteria with a short list of qualified LMS vendors. This part is unfortunately difficult. It would be nice if there was a single list of all 600 LMS’s with a checklist of features. But as you have found out, there is not. Most people resort to a simple Google search to locate potential products. If you use several descriptive words like “low cost” or “ecommerce” or “small business” in conjunction with your LMS wording, you might get closer. Many vendors will list their products on third party software sites like:

- Capterra ([www.capterra.com](http://www.capterra.com))
- GetApp ([www.getapp.com](http://www.getapp.com))
- TrainingIndustry ([www.trainingindustry.com](http://www.trainingindustry.com))
- Collect My Thoughts ([www.collectmythoughts.com](http://www.collectmythoughts.com)).

Social sites like LinkedIn will usually have discussions if you have subscribed to eLearning groups. Blogs are also a good source, and one of the best LMS and eLearning blogs is Craig Weiss’s “E-Learning 24/7” blog ([http://elearninfo247.com](http://elearninfo247.com)).
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Don’t overwhelm yourself with your search. If there are 600 LMS’s out there, odds are there will be over 100 that will do what you need. You don’t need to find each one. Find 2 or 3 that fit your needs, and start with those. Time is money. Don’t spend your budget trying to find too many choices that will give you no more options but make the selection process more complicated.

**Speak with your short list of LMS vendors** if you have successfully found 2-3 LMS’s that fit your criteria, begin to connect with these vendors to develop and in depth understanding of their product. Your goal is to qualify the LMS. Most LMS vendors will offer you a free trial, which is a great idea as you can get a true feel for how intuitive, easy and powerful the LMS really is.

**Schedule a live demo:** Before you get a free trial however, ask for a live demo. You don’t want to waste your time trying to learn everything yourself. Get a live demo and rundown from the vendor, and then get the free trial to hit the ground running. You may actually decide after the demo that the LMS is no longer qualified. If you get the demo, and if you can’t do something in your free trial account, contact the vendor right away and get clarification. Never assume an LMS can’t do what you want just because you didn’t figure out how to do it yourself.

**Do a pilot via a free trial:** The demo went great and they showed you how they can meet all your requirements plus a few more and you got a good feel for the whole system. You’re ready to pull the trigger and dive in! Well almost, there is one more very important stage – the Pilot Program. This is the time to get a free trial and to work out all the details and put the system through its paces. You should try to simulate your actual usage scenarios as close as possible. This process is not just to test the LMS, but is an opportunity to work out your processes and workflow to ensure everything will meet your needs and work as expected. The vendor can, and should, be a resource in this phase and be able to assist you by advising on best practices on process and techniques. They after all know the system better than anyone and are in the best position to make sure you are optimizing your use of the LMS. Ideally, your selected vendor can provide you with a free trial account that will allow you to upload and test your courses, establish your branding, test roles and permissions, email notifications, enrollments rules & automation, establish workflow, reports, etc. After the pilot there should be no surprises left to discover and the only task left is to scale it up and go live.
Evaluate the LMS vendor’s support: The product’s features are of course very important, but do not under estimate the importance of the vendor themselves and their ability and willingness to support you after the purchase. Poor quality support that is unresponsive and generally unhelpful can be the demise of a successful implementation. Does the actual vendor provide the support or has it been off-shored to a 3rd party provider. Ensure that their support is available for phone calls and meetings if required, in addition to email/online support via a ticket system. It can also be very important to have an account representative that you have an ongoing relationship with. Not that this person is involved with every communication you may have, but someone that knows your history and can oversee the relationship. Finally, always get references from several of their current clients and specifically discuss the support and ongoing relationship.

Formalize the purchase: You have your final 2-3 choices, so it’s time to pick one. It is common, especially for larger organizations, to want to go through a formal Request for Proposal (RFP) process as part of their LMS acquisition. This process, on the surface seems to make sense as you certainly want to do your due diligence, however, the process can have some unintended consequences that you should be aware of. Specifically, it can take a vendor several days of effort to prepare a formal proposal for you. Consequently, the only vendors that will invest such an effort are the ones with larger more expensive systems that can cover those costs. You may therefore inadvertently, and unnecessarily, exclude the lower cost value based systems – which would be a shame if some of them do satisfy your requirements. Because of the associated costs, we have learned that a majority of LMS providers will not participate in formal RFP procurements.

If you have not done this already, we recommend an abbreviated process where you supply your final vendors with a list of your requirements along with a very clear explanation of what your must-have requirements are versus the nice-to-have features. This list will allow vendors to self-qualify themselves by evaluating how well they meet your most important requirements and determine if they are a good fit. Furthermore, instead of a long formal written response (which can be very misleading and left up to a lot of interpretation) you should instead schedule a live demo and ask the vendor to show you how they meet your most important requirements. This process will give you a much more accurate assessment of their system and how it works. For example, sometimes whether or not an LMS meets a given requirement requires more than a yes or no response, because some “yes’s” are much more
complicated to achieve than others. It is very important to understand the details of how they satisfy that requirement or even how they may suggest an alternative approach.

You should now know which LMS is your best choice. Now go seal the deal with them!

**Conclusion**

When weeding through the massive sea of LMS products, efficiency is the key. Know in advance what you want to spend and what features you need to have. Search to find the qualified systems that meet those needs realizing that you don’t need to find every single system that meets them. Remember, there are about 600 LMS systems out there, so odds are in your favor you will find several to meet your needs. Armed with your short list (2 or 3 LMS’s), work with those vendors to understand the products and then get a free trial account to try it out first hand. Once you have completely qualified the product, qualify the vendor as well. Only when both the LMS and vendor pass the test, are you ready to make a purchase. You will make that purchase knowing that you did your homework and got the best value for your money.