

Economics of Learning.

Learning Management System as part of Sustainable Technology Environment - how to properly account for current and potential benefits

What is Sustainability?

The concept of sustainability was popularized in the 1980s. It was first applied to developing countries looking to select the right mix of technology transfer and direct foreign investment. Initially, sustainability referred to the ability of a country to support on its own a high technology investment, like a chemical plant.

It also looked at combining economic development with environmental & social concerns and evaluating investments as a means to enhance the life of current generation without putting in jeopardy environmental and social future. It expanded economic analysis to include impacts on: education system, transportation and power needs, quality of air and water, changes in the social fabric, to name just a few. The concept was embraced by such international agencies as the UN and the World Bank. Companies looking to enter new markets or make direct investments were pressured to apply this type of analysis. Some discovered this broader approach had merit for assessing business impact of any new investment. Today it is emerging as a new economic decision framework in large corporations and in the investment world.

This article discusses how Sustainability thinking can be applied to Learning Management Systems.

Sustainable ROI Methodology

For IT investments the difference between traditional and sustainable approaches can be demonstrated with an example: HR wants to acquire a new Learning Management System (LMS)

Traditional ROI would calculate:

- Incremental benefits e.g. reduced cost of enrollment and course management
- Acquisition cost of the application
- Implementation cost
- Conformance to corporate technology standards, scalability, & infrastructure compatibility
- Projected ongoing support cost.

And might calculate non-technology costs of change management:

- Job redesign for training department
- Training administrators to use the system
- Communicating to the workforce

A sustainable approach would, in addition, determine what impact LMS is likely to have on infrastructure capability. For instance:

- The impact of driving more usage to the corporate portal
- New assumptions for bandwidth needs
- Possible demands for new data standardization to be able to apply course completion records to a personnel file
- Enablement of corporate-wide e-learning delivery

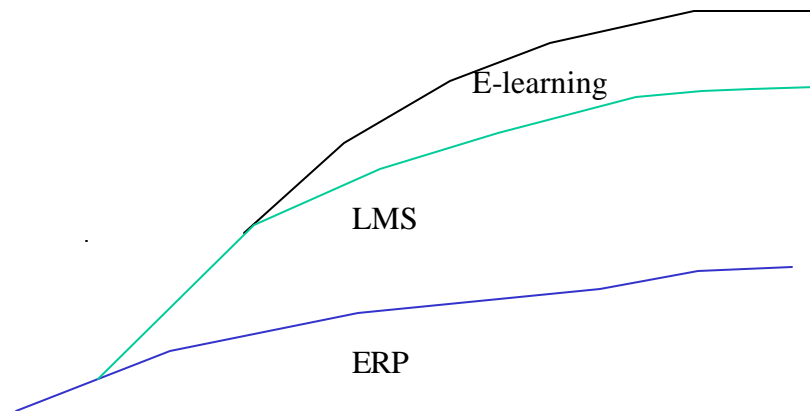
And it would look at the corporate people environment as well:

- The impact of LMS on company's ability to change by rapid training of workforce.
- Future tradeoffs of replacing vs. developing and training existing workforce
- Rethinking of knowledge management as a dynamic linking of competencies and interests

Example: Course Scheduling Application

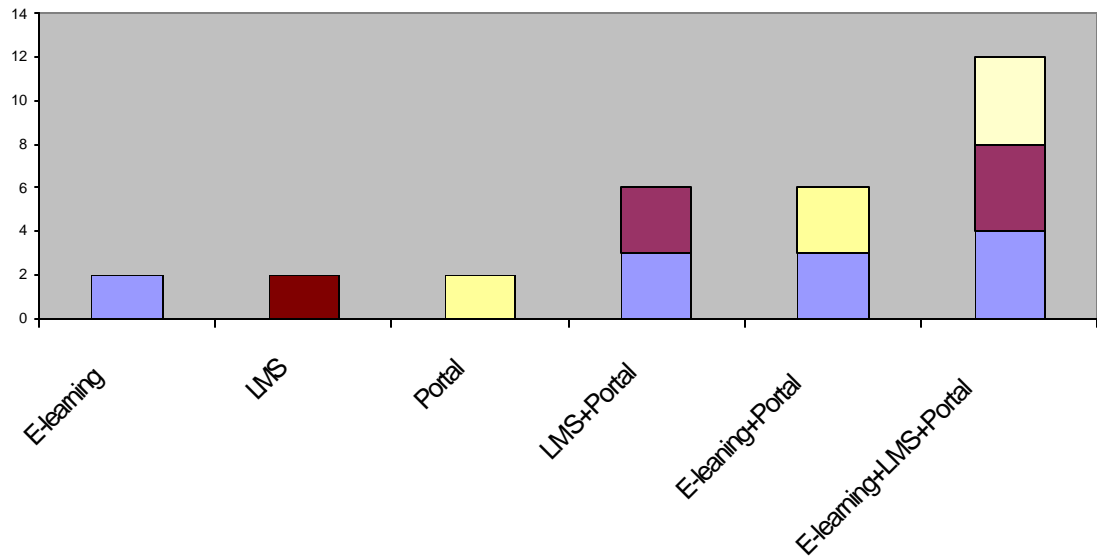
Let us now look at how this logic applies to economics of learning. Suppose, a company needs an application for course scheduling. The immediate need is to have a convenient system in place for scheduling classes for employees. In fact such a system might be justified on the cost to have all employees get one specific kind of training e.g. health and safety, or diversity. That need might be met by a number of systems that handle this basic functionality quite well. At the same time, all of the vendors distinguish themselves from one another based on additional capabilities, such as support for e-learning, compatibility with portals and core HR systems, and support for personal development. Each of these can be justified as a standalone at different times, but their combined value when they are all running may be much greater.

ERP enables LMS and e-learning, which add value to ERP



The first derivative benefit of that application might be support for a competency model that can help insure that all managers at a certain level have the necessary core competencies. To get from a course scheduler to a competency support capability, LMS will need to be fitted with a portal. The second derivative benefit would be leadership development. To get there, we will need to launch a non-IT program and to set up a database, in addition to course schedule application and a portal. The third benefit may be knowledge and talent management strategy. By adding e-learning capabilities we can get employees to share knowledge and competencies across all divisions. Thus, we arrive at a full-fledged Learning environment.

Combinational Value



Sustainability concept is relevant as it articulates environmental costs and risks and assigns real dollar value to positive impacts. Furthermore, it applies to IT investments as it enriches our understanding of the value of infrastructure, provides a better decision model for TCO and helps to map the value of new capability to change.

If you are looking into building an LMS that would contribute to your overall strategy, you may want to consider the full cost of putting the system in place, as well as properly account for the full benefits of enabling developments in the future. In our experience, a preliminary analysis of that kind can be completed within a week. It may not be too much to hope it will transform today's presentation of budgets and the final decision to invest, as there is considerable merit in looking at each IT investment as something that changes the world it lives in. To assess your needs and gain greater understanding of how sustainable ROI methodology can help you realize the full potential of your investments, give us a call for a free consultation. We're here to make it work for you!