



WHITE PAPER

# Building a Winning Business Case: Calculating ROI of a Training Management System

Use ROI to select the best solution for your organization and boost your project's success

Interactive Calculator Inside 

# Contents

<a href="#"><u>Why Calculate ROI?</u></a> .....	3
<a href="#"><u>Limits of current practices</u></a> .....	4
<a href="#"><u>What is ROI?</u></a> .....	5
<a href="#"><u>Determining value</u></a> .....	6
<a href="#"><u>Determining cost</u></a> .....	9
<a href="#"><u>Case study</u></a> .....	10
<a href="#"><u>Leveraging ROI, featuring interactive calculator</u></a> .....	12

## Why calculate ROI?

Companies face increasing pressure to justify investments in new learning technologies. Training departments need to improve the efficiency of their training activity, and although there are substantial benefits to implementing training management solutions, this alone cannot warrant project approval.



**Given budget restrictions, companies need a tool to evaluate which solution will be the most beneficial.**

There is often a wide gap between expectations and reality when it comes to investing in new projects. Due to previous budget overruns and broken promises, senior management is often hesitant to approve new training solutions.

With these challenges, implementing a training management solution can seem complex. In this context, proving ROI is necessary to build a winning business case.

With the help of a case study, we will demonstrate how calculating ROI can help answer the following key question:

**Faced with limited resources, how can companies use an objective value to select the solution that will yield successful business results?**

## Limits of current practices

Vendors regularly propose customer case studies or standard models to calculate ROI. While interesting in terms of the data and assessment methods provided, these analyses are insufficient to build a winning business case. Here are some common pitfalls:

- **Focusing only on administrative productivity gains** and on reducing the related costs through task automation. This neglects the wider value obtained from resource and budget optimization, enhanced visibility over projects, data and process reliability, and compliance.
- **Failing to address the company's context.** If the case study does not reflect the legacy system and the specific features, background, and objectives of the company, the analysis remains theoretical. This tends to diminish the solution's operating value.

### OUR PERSPECTIVE

Increasingly, more prospects ask for assistance to analyze ROI and the costs and benefits of their Training Management Solution. Some rely on consulting firms, while others conduct their study internally. Our experience shows it is misleading to standardize ROI calculations since each company has different features, backgrounds, and objectives.



To demonstrate  
business impact,  
calculate ROI according  
to each company's unique  
operational structure

# What is ROI?

**ROI proves a project's economic value for the company. It is a financial ratio determined by comparing the product's added monetary value to its costs.**

## Reminder: What exactly are we trying to evaluate?

By automating processes and facilitating training management, a Training Resource Management System (TRMS) provides value by optimizing the overall performance of the training department.

## CALCULATING ROI

To calculate ROI, we need to evaluate:

- **Added value:** refers to all the benefits the solution brings within the company and its process improvement project. You determine the added value by considering the gains beyond the initial investment. This can only be evaluated with respect to a clear diagnostic of the existing system.
- **Costs:** includes all investments and expenses linked to buying, owning, and using the solution. We call this the Total Cost of Ownership (TCO).

$$\text{ROI} = \frac{\text{GAINS} - \text{COSTS}}{\text{COSTS}}$$

## EXPRESSING ROI

We can express the ROI in two ways:

- **Duration:** entails estimating the time required for the system to deliver sufficient gains to “pay back” the initial investments and financing of its operating costs. The shorter this duration, the less impact the project has on your funding needs. The lower the financial commitment, the easier it is to launch the project.

*Example: It cost \$1,000 to implement and maintain a new training technology. The \$1,000 initial investment was paid back within two months.*

- **Percentage:** entails estimating, over a determined period, the profitability of both the initial investment and additional daily costs of the system. The higher the rate, the more motivated your company will be to launch the project.

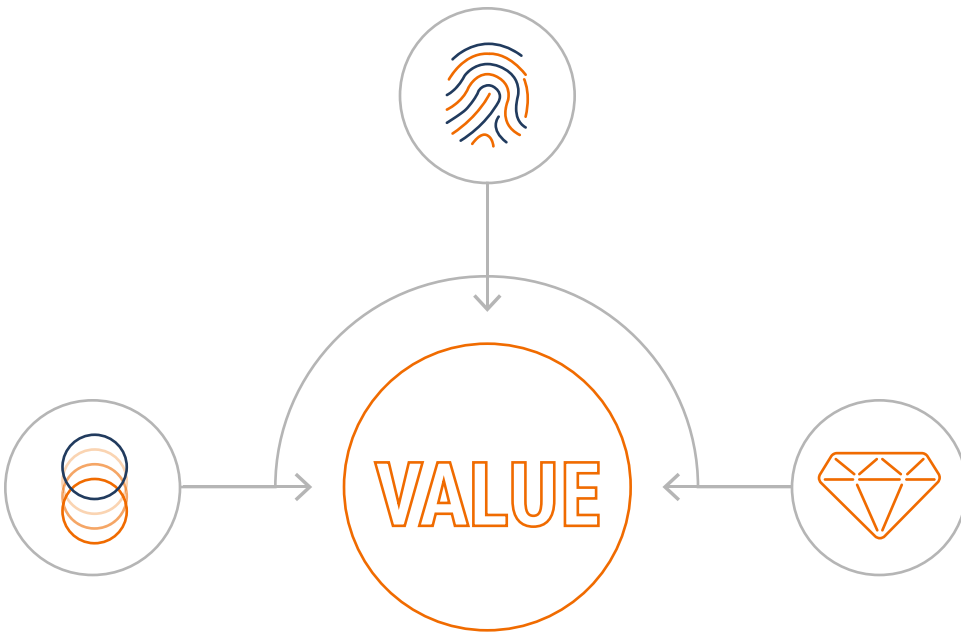
*Example: It cost \$1,000 to implement and maintain a new training technology. It generated \$1,500 in gains. The ROI is 100%\*  
(1,500-1,000/1,000) = 50%*

## Determining Value

The solution’s value is no doubt the most difficult indicator to identify and measure. It consists of various parameters that are not easily measurable, including quantitative and qualitative elements. These must translate into a quantifiable value such as a monetary unit.

To accomplish this, it is essential to take into account your company’s background and the project’s objectives. By considering these elements, we can isolate the potential profits and determine the proper assessment method to measure value.

Using a 3-step analysis of 1. list, 2. identify, and 3. value, we can calculate the added value brought by a TRMS. Subsequently, we can compare the solution’s value to its costs and determine the ROI.



## 1. LIST

Begin by listing the company's objectives, as well as all the benefits the TRMS can bring. This includes a compilation of internally identified benefits and those highlighted by the system's provider(s). Here are a few examples of company objectives:

- Improve efficiency of ILT management to reduce training costs
- Gain visibility on the budget through better cost-tracking and forecasting
- Increase sales and profitability of external training activities
- Simplify and secure the certification and re-certification process

## 2. IDENTIFY

Building on the company's objectives and identified provider benefits, identify the benefits that have significant value for the company with respect to its background and goals. As an example, here are some relevant questions to help identify the value:

**Q: Does the company struggle with manual processes in managing ILT?**

**A: The system can automate all manual tasks and optimize resource use for significant gains in time and cost.**

**Q: Has the company recently endured the financial consequences of poor data quality or availability?**

**A: The system provides valuable reporting tools to track and improve past performance.**

**Q: Is the company experiencing staff turnover that affects workplace productivity?**

**A: The system can improve employee satisfaction and loyalty by streamlining training management.**

**Q: Does the company need to recycle certifications?**

**A: The system ensures that certifications are met in a timely manner.**

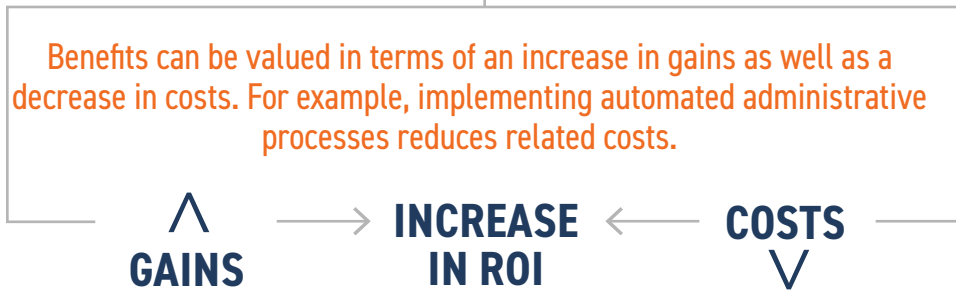
### 3. VALUE

Finally, translate benefits into dollar value.

- For those that are measurable, adopt conservative assumptions about how much will be saved.
- For those that can't be expressed in dollar amounts, collaborate with the financial department and the rest of the team to assign value to the benefits.

For example:

BENEFIT	VALUE
The system ensures that certifications are met in a timely manner.	We can measure this element in terms of costs, in addition to the impact on business if it is not carried out.
The system improves employee satisfaction and loyalty by streamlining training management.	We can measure this element by looking at the costs of losing and replacing talent (i.e. recruitment, and onboarding).



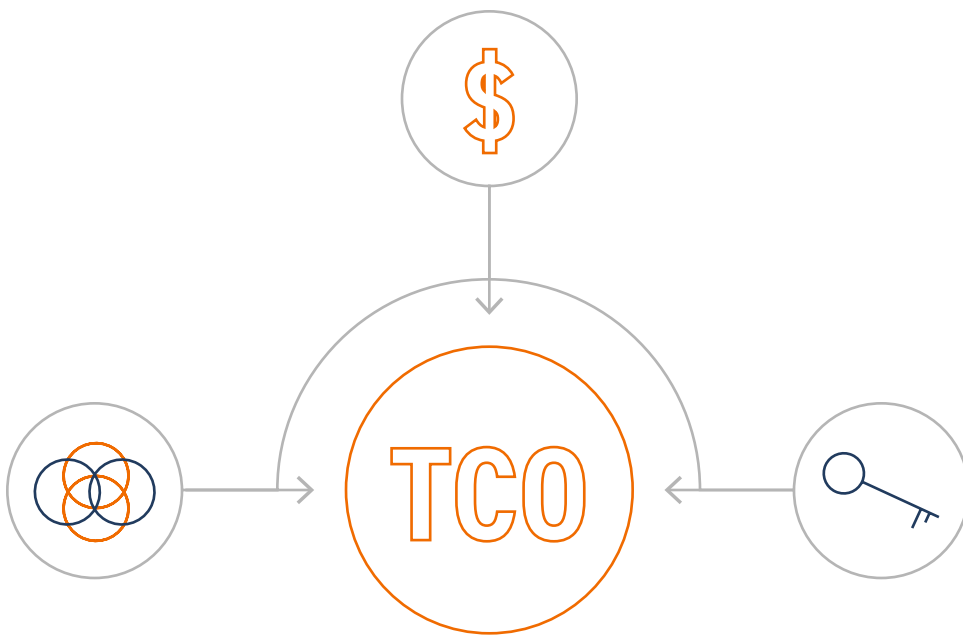
To ensure the results are meaningful, there must be an audit of the existing system, a clear vision of the project's goals, and application of valuation methods determined in collaboration with the financial department.



## Determining Cost

Assessing cost appears simple since it deals with quantitative data.

However, the true costs of a new learning technology are greater than supplier's sales proposal. It is important to determine the TCO of the process improvement project; this includes the purchase price of the solution as well as its ownership and utilization costs over time.



**While purchase price is external, numerous factors can significantly affect the solution's ownership and utilization costs:**

- The **technological continuity** and scalability affect renewal needs.
- The **user experience** impacts the internal cost of deployment and rate of adoption.
- The need for future **system upgrades** can weigh on budgets if the terms are not clearly defined in the contract.
- The ability to **customize** determines potential costs associated with tailoring the solution to the company's inevitable evolution.



Through its expertise, a company's Information Systems Management can help identify currently hidden, or future, costs as well as cost reductions generated by the new solution.

# Case Study

## **Determining the ROI of a TRMS within a services company of 10,000 employees in 30 facilities.**

### **1. LIST**

Facing high budget constraints, our client's training department listed the following objectives for their project:

- Enable proactive and permanent skill adaptation methods for a team within a highly-competitive environment and industry.
- Ensure rigorous management of a highly complex organization, in real time and on a very broad scope.
- Contribute to the company's economic performance by optimizing considerable training budget.
- Respond to very high qualitative demands and very strong legal requirements on regulated businesses.

### **2. IDENTIFY**

After defining these objectives in consultation with both the training department and internal customers, the project's added value was evaluated on three fronts:

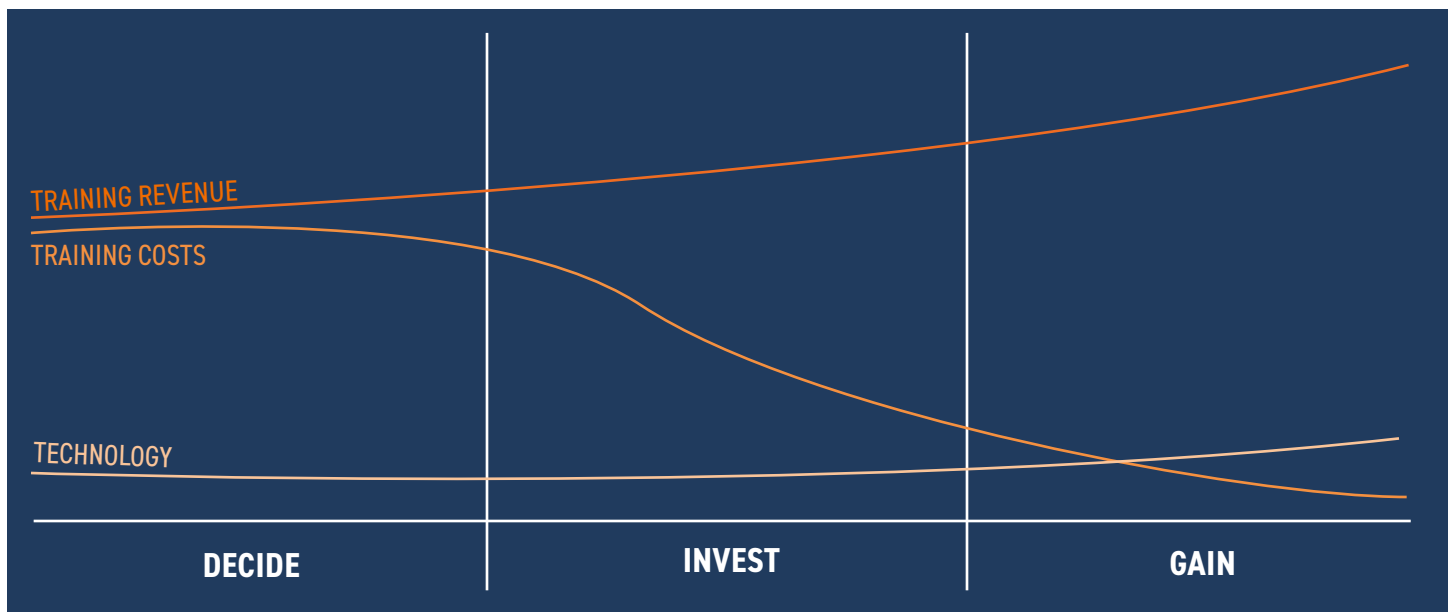
- Cost reduction
- Improvements in management, control, and quality
- Economic gains

### 3. VALUE

Key indicators were then built to specifically evaluate the benefits of the solution.

BENEFITS	VALUE	RESULTS
COST REDUCTION	Time spent on administrative tasks	- 60%
	Time spent on establishing reports	- 30 days
	Teaching costs (at ISO volume)	- 254 USD / intern
STEERING, CONTROL, AND QUALITY	Reliability of business indicators and financial data	100%
	Compliance with recycling deadlines (clearances)	99.8%
	Response time to online pre-registrations	100% in 24 H max.
	Absenteeism rate	- 50%
ECONOMIC GAINS	Session occupancy rate	+1 intern / session
	Average payment time (Customers and Cashback)	- 15 days
	Recovery rate for funding	- 395 USD / intern
	Training school revenue	+ 110.5%

These measured benefits were then valued according to assumptions and methods built with the financial department in order to determine the specific ROI of this project.



The effects of the solution are shown above in a journey map. The curves show the process of the investment in a Training Management Solution driving change in terms of training revenue, training costs, and technology use. The gains have a direct impact on company revenue and employee productivity.

## Leveraging ROI to boost the project

Investing in a Training Resource Management System can be justified by its sole potential to optimize administrative costs. The productivity gains demonstrate rapid and simple profitability, and subsequently the economic relevance of the project.

However, in a context of tense budgets and competition between projects, companies need a thorough analysis to build a full business case. After identifying the solution's benefits and metrics, the analysis generally reveals a positive and rapid ROI.

This analysis requires a preliminary audit of the current state of the company's training management technology. The analysis is useful for identifying, formalizing and mapping the project's structure and key elements. Identifying these elements and converting them into measured indicators is an essential step.

Producing a relevant business case and determining the ROI of the TRMS entails an analytical and methodological approach. By following this structured process, you will increase support for the project, process adoption and overall success of the project.

***Interested in knowing how much you could save on training, and receiving a personalized optimization report?***

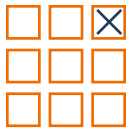
**TRY OUR ONLINE CALCULATOR** 

**Calculating ROI is a powerful tool to ensure the project's success because you will:**

- Determine precise and measurable goals built specifically for the project.
- Provide assessment criteria for an objective comparison of different market solutions.
- Identify the most pertinent and suitable solution for the company.
- Create an efficient framework to monitor progress of the solution and coordinate with various vendors.
- Measure results and identify areas of improvement.
- Place the project in a framework that facilitates compliance within the defined deadlines and budgets.

# Training Orchestra's all-in-one Training Resource Management System

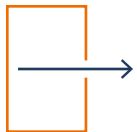
**A single system to streamline all instructor-led training processes**



Intuitive Session Scheduling



Dynamic Cost Distribution



Automated Administration



Real-time Autonomous Reporting

**Solutions for the whole training ecosystem:**



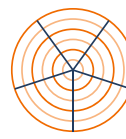
Learning & Development Department



Corporate University




Extended Enterprise



Training Company

**SEE 5-MINUTE OVERVIEW** 



# Ready to **train more** **with less?**

Get a custom demo of Training Orchestra's integrated Training Resource Management System and find out how you can optimize your whole training activity

**GET A FREE DEMO**



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