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HR INSIDER SERIES

9 Critical Reasons to Automate Performance Management

For Small & Mid-sized Businesses

 **SuccessFactors**
People Performance

INTRODUCTION

As a human resources manager, you understand the importance of having a strong performance management process in place at your company. Such a process helps you better motivate and retain top performers, more closely align individuals' goals with those of your organization, and create a more engaged workforce—all of which leads to greater productivity, and ultimately, improves your company's bottom line.

But if your company is like most, your current performance management process probably relies on manually collecting annual evaluations or using other labor-intensive, paper-based procedures. Even if you have managed to automate the process somewhat through the use of standardized word-processing documents, database templates or other rudimentary electronic methods, you've discovered that these tools can often create more headaches than they alleviate.

Today, a profound transformation is taking place across the small and mid-sized business landscape as it relates to performance management. A growing number of small and mid-sized businesses are turning to innovative technologies to help improve their performance management processes. These forward-thinking organizations are replacing their often painful and tedious manual procedures with affordable, web-based solutions that offer streamlined implementation and require absolutely no internal IT support. By automating much of their performance management, these companies have realized many financial benefits—including increased employee productivity, improved worker retention, optimized compensation, and more.

This eGuide will clearly outline the top nine benefits your company can realize by automating its current, paper-based performance management process.

Reaping the Benefits of Performance Management Automation

There are nine key ways in which your company will benefit by automating its performance management process:

1. IMPLEMENT PERFORMANCE MANAGEMENT BEST PRACTICES MORE EASILY

To be most effective, your company's performance management process should follow best practices (see sidebar) established by the leading companies and experts in the field. While some of these best practices can be implemented even with manual systems, many become significantly easier to accomplish with automated solutions, including:

- ▶ **ITERATIVE REVIEW PROCESS.** Because automation makes it easier to route forms, individuals participate more consistently and reliably in the review process.
- ▶ **CASCADING GOALS.** Goals are rarely an individual's sole responsibility. Most goals are achieved because of the efforts of multiple people across an organization. Performance Management experts agree that cascading and aligning goals across multiple owners creates a "shared accountability" that is vital to a company's success. A company-wide, automated application greatly simplifies the task of establishing shared goals and ensures that employees are working toward the company's overall objectives.
- ▶ **PAY FOR PERFORMANCE CULTURE.** A high quality automated system will include a Compensation Planning module, giving managers easy access to all the information they need to reward individuals for actual performance. Access to 360 degree feedback, goal attainment metrics, review data and performance notes taken throughout the year ensures managers make consistent, quantifiable and fair decisions. Consequently, employers can reduce the cost of overcompensating underperformers and can increase employee engagement across the company.

Examples of Performance Management Best Practices

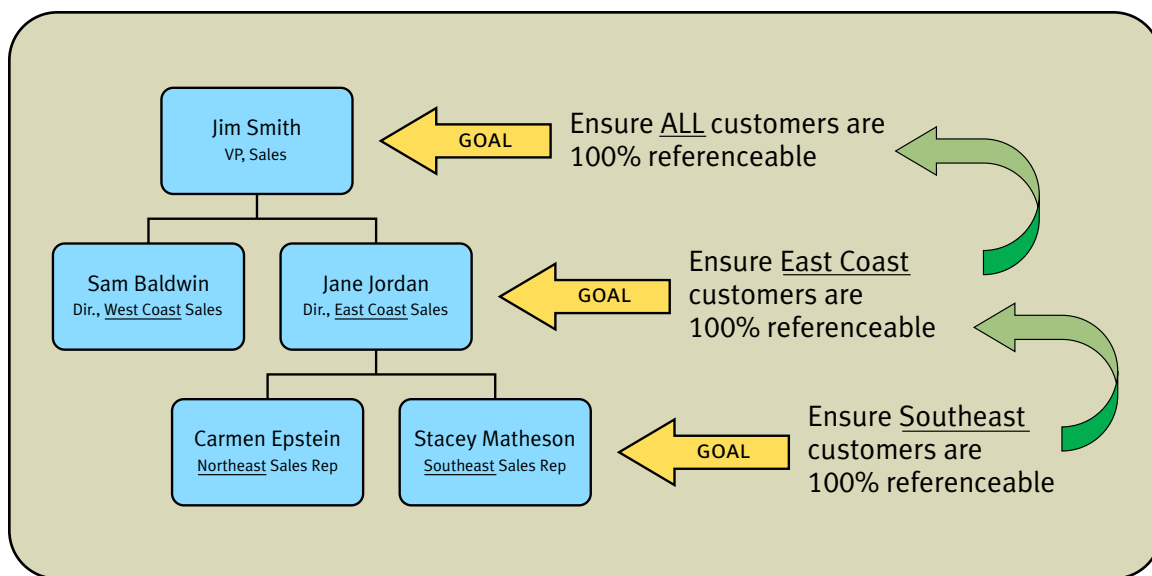
1. Develop SMART goals for all employees (Specific, Measurable, Attainable, Realistic, Time-Framed)
2. Align individual goals with corporate objectives
3. Include an employee self-evaluation in the review process
4. Use an iterative review process to allow the manager and employee to participate equally in the review
5. Employ both weighting and rating of goals to provide meaningful visibility into an employee's actual performance
6. Provide an overall rating (a weighted average of ratings against multiple goals) to make the results credible to employees, by eliminating subjective human bias
7. Use anonymous 360 feedback to foster a culture of empowerment and accountability, while boosting the organization's overall performance

2. INCREASE GOAL VISIBILITY AND BOOST SHARED ACCOUNTABILITY

According to leading industry analysts, nearly 95% of workers are unaware of their employer’s specific corporate objectives. How can your organization expect its people to deliver the bottom-line business results it wants when individuals are unclear what’s expected of them?

Setting relevant and achievable goals is the cornerstone of both individual and company success. By automating the process of creating, cascading, monitoring, and measuring performance against goals:

- ▶ EMPLOYEES AND MANAGERS CAN ACHIEVE MORE—and do it in less time—by gaining greater visibility into both individual and company-wide goals
- ▶ EMPLOYEES AND MANAGERS CAN SEE WHAT IS ON THE PUBLIC GOAL PLAN—and understand how their individual goals fit into company-wide business objectives
- ▶ EMPLOYEES CAN CASCADE HIS/HER GOALS TO OTHERS IN THE COMPANY, creating shared responsibility
- ▶ MANAGERS CAN MORE EASILY STAY IN TOUCH WITH EMPLOYEES’ PROGRESS during every phase of goal completion, allowing immediate reinforcement of progress or coaching to get performance and deadlines back on track

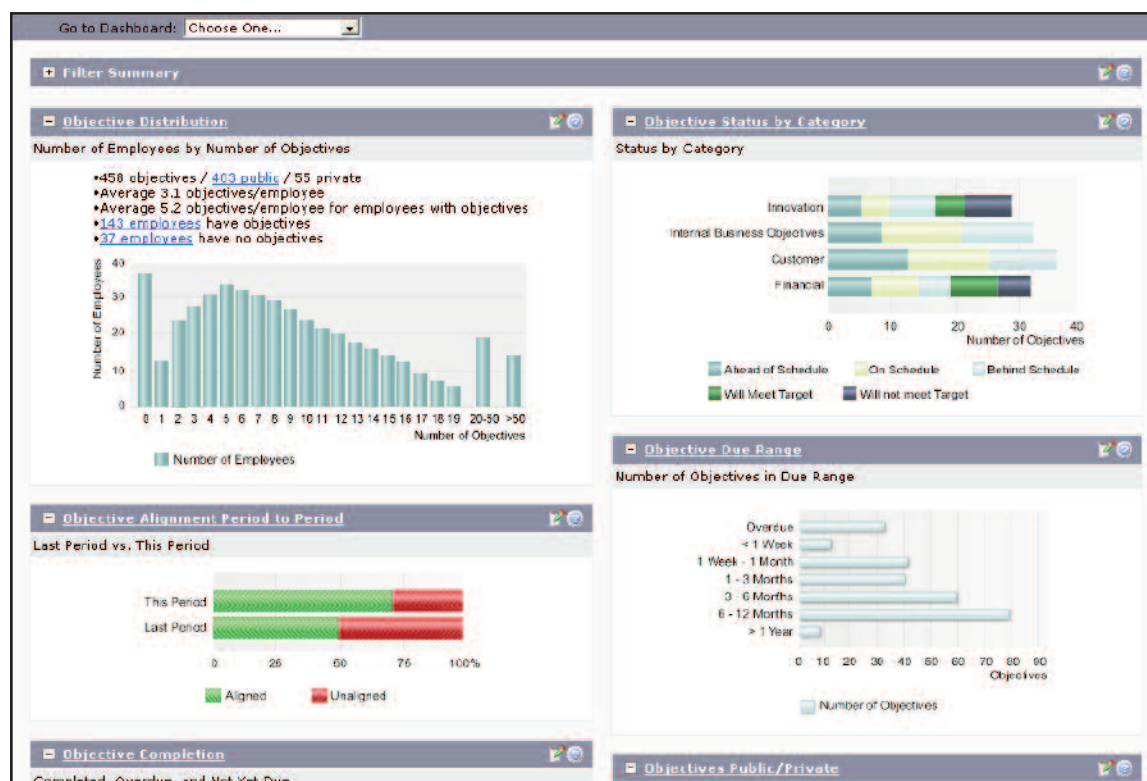


With an automated solution, goals can be easily aligned and cascaded for shared accountability.

3. GAIN POWERFUL INSIGHTS BY USING COLLECTED DATA MORE EFFECTIVELY

To be valuable, information needs to be collected and aggregated in a way that allows people to actually access and use it. Instead of simply filing away employee reviews in a drawer somewhere, automated systems allow you to easily access important company-wide data at any time. Through performance-related dashboards and reporting options, managers can capture and analyze—on demand—the detailed information they need to make the best strategic decisions possible. Leading automated systems allow you to:

- ▶ TRACK THE COMPANY’S OVERALL PROGRESS AGAINST GOALS
- ▶ IDENTIFY PERFORMANCE TRENDS ACROSS ALL EMPLOYEES IN THE COMPANY, including key strengths and weaknesses, organizational skills, and total-rewards drivers
- ▶ SEE WHERE YOU HAVE COMPETENCY GAPS and determine what skills are missing from your organization
- ▶ MONITOR IMPROVEMENTS in employee ratings over time
- ▶ ASSESS EMPLOYEE RATING DISTRIBUTIONS ACROSS THE COMPANY, so you can appropriately reward only your top performers—rather than just giving a flat percentage bonus to everyone—potentially saving you thousands of dollars in unwarranted bonus compensation



The dashboards in SuccessFactors Professional Edition allow you to see aggregate performance information in visually intuitive graphical formats.

4. ENSURE COMPLIANCE

Through automation, it becomes much easier for you to closely monitor the entire performance review process to ensure compliance across your organization. Automated systems encourage:

- ▶ **LEGAL COMPLIANCE.** The best automated systems include built-in legal scan functions to help managers write legally compliant reviews, protecting your company from sensitive and potentially devastating legal issues.
- ▶ **PROCESS COMPLIANCE.** Automated systems encourage greater participation in reviews, 360 feedback, goal planning, and other aspects of the performance management process. A company-wide, web-based performance review application will typically enable HR to easily send announcements and reminders to the workforce to keep the process on track. Plus you can easily monitor who has filled out various forms to make sure your company as a whole is meeting its performance management goals.
- ▶ **REVIEW FORM CONSISTENCY.** If you use standard word-processing documents to collect review information, you know how easy it can be for maverick managers and employees to make unwanted alterations, deletions, and other changes. With automated web-based forms, you control who can (and can't) make changes to your review forms. Yet you still have the flexibility to customize those form sections to accommodate the unique aspects of specific jobs, such as competencies, goals, and development plan items.

5. ELIMINATE PAPERWORK HASSLES

With automated online systems, you eliminate many of the headaches associated with paper-based processes. You enjoy:

- ▶ ONLINE ACCESS TO REVIEWS from one centralized place
- ▶ ELECTRONIC ROUTING OF FORMS for review/approval
- ▶ AUTOMATED EMAIL REMINDERS that end the need to physically chase people down
- ▶ INSTANT ONLINE ACCESS TO ALL REQUIRED FORMS—eliminating the need to make endless paper copies for employees and managers

“I LOVE SUCCESSFACTORS BECAUSE 90% OF MY PAPER PROCESSING IS GONE. IT’S CONVENIENT, IT’S SMOOTH, AND IT MAKES MY LIFE SO ENJOYABLE.”

Mary McDonald
Employee Data Specialist
HRIT Maine Medical Center

6. IMPROVE FEEDBACK QUALITY AND STRENGTHEN MANAGEMENT SKILLS

Leading automated systems, such as SuccessFactors Professional Edition, include a writing assistant, coaching tools and other advanced functionality to improve the overall quality of review feedback.

These tools help managers provide:

- ▶ **MORE RELEVANT REVIEWS.** Writing and goal management tools help managers write meaningful, concise reviews so employees better understand their performance against goals.
- ▶ **RICHER, MORE CONSISTENT FEEDBACK.** Writing tools also ensure greater consistency of reviews written by various company managers, and help deliver a deeper level of feedback.
- ▶ **STRONGER, MORE RELEVANT COACHING.** Integrated coaching tools allow managers to easily access professional advice on promoting individual employee achievement. Managers receive specific, actionable suggestions for coaching employees through a range of issues, including office communications, interpersonal skills, and other competencies.

Account Management(SuccessFactors) select another competency...

Expands sales within existing accounts, focuses on customer service, develops relationships with key decision makers, understands and responds to customer needs, tracks and monitors account activity.

Writing Assistant | Coaching Advisor

Improve	Meets	Exceeds
could better identify customer needs	develops good customer relationships	always sells to customer needs
does not match needs to products	good customer service	creatively meets customer needs
doesn't know customer's business	solid account tracking	exceptional customer service
doesn't sell broad product mix	some increase in account sales	increased current account sales
inadequate account contact	understands customer needs	outstanding account tracking
inadequate account tracking system		well-liked, respected by all customers
inadequate after-sales service		
inflexible in meeting customer needs		
infrequent customer contact		
needs to identify key decision makers		
needs to work with support staff		

develops good customer relationships

less positive (0) (1) (2) more positive

Marcus has developed productive relationships with different levels of customer staff, from administrative staff to key decisions makers. He makes a real effort to be liked and respected by all those who can help him meet his sales objectives.

1st Person 2nd Person 3rd Person

Place Text Close Window

The Writing Assistant in SuccessFactors Professional Edition helps reviewers avoid writer's block and create concise and meaningful assessments.

7. SAVE TIME

Automated solutions, such as SuccessFactors Professional Edition, include tools that not only help managers and employees write better reviews, but also complete them in considerably less time.

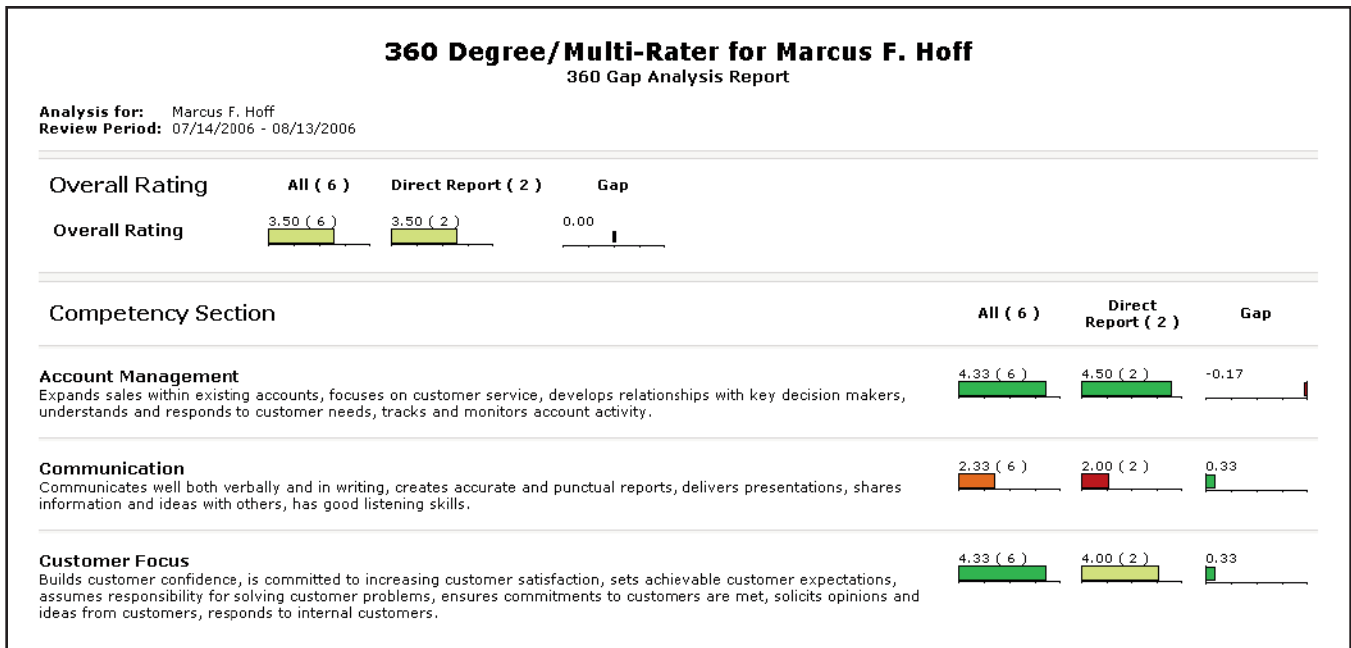
Typical time-saving features include:

- ▶ **AUTOMATED WORKFLOW.** Automatically route forms to managers and HR, saving hundreds of hours in administrative time
- ▶ **ONLINE ACCESS.** Provide employees and managers with instant web-based access to all required forms
- ▶ **AUTOMATIC EMAILS.** Remind participants to submit their reviews and feedback, speeding the entire process
- ▶ **BUILT-IN WRITING ASSISTANTS.** Cut review-writing time by 90% by providing managers a detailed list of competencies for the most common job types, then offers suggestions about appropriate language to use in writing evaluations
- ▶ **360 AUTOMATION.** Easily select raters and solicit feedback with just a few clicks

8. GATHER FEEDBACK THAT'S MORE HONEST, OBJECTIVE AND OPEN

Online performance management systems let you easily request and collect anonymous 360 feedback from anyone in the organization at any time. By introducing total online anonymity to the 360 feedback process, you create a safer environment where participants can comfortably provide both positive and negative feedback without fear of retaliation. Additionally, unfavorable feedback is more likely to be thoughtfully considered if it's anonymous.

Because they tend to focus more on results and actions—rather than personality traits—software-based appraisals from automated performance management systems are generally regarded by employees to be more objective than paper-based evaluations. Participants also tend to view software-based appraisals as more open because they provide greater access to performance evaluations and allow individuals to more easily track their progress toward both personal and organizational goals.



360 Degree Multi-Rater assessments have a direct impact on increasing employee engagement and satisfaction, while giving managers a better understanding of competency gaps and development needs.

9. IMPROVE YOUR BOTTOM LINE

Automating your performance management process can provide huge returns for your company, generating thousands of dollars annually through increased employee productivity, improved retention, and compensation optimization. The following tool will help you estimate the typical bottom-line savings your organization can expect to realize each year.

Financial Benefits	Calculation
Savings from optimized compensation distribution:	[YOUR ANNUAL COMPENSATION BUDGET] x 3%
+ Gains from increased productivity:	+ [YOUR ANNUAL OPERATING MARGIN] x 2.4%
+ Savings through better retention:	+ [ANNUAL COMPENSATION x 3% x 50%] x 1%
	= [YOUR ANNUAL BOTTOM-LINE SAVINGS]

Optimized compensation: Pep Boys recently “experienced at least a 5% savings in compensation budget due to improved oversight and dollar allocation.”

Increased Productivity: Towers Perrin estimates that if a company realizes a 15% increase in employee engagement they will increase their operating margin by 2.4%.

Retention: Companies typically lose 3% of their employees. Each position costs a company approximately 6 months (50% of annual) salary due to recruiting, training and ramp up costs.

Automation can bring about dramatic cost savings by impacting the three cost figures in the above formula in the following ways:

Cost Savings via Better Compensation Planning

- ▶ REWARD TOP PERFORMERS
- ▶ REMOVE “BLANKET” BONUS PLANS
- ▶ REAL-TIME VIEW OF BUDGET ALLOCATIONS

Increased Operating Margins via Improved Productivity

- ▶ ALIGN EMPLOYEES TO CORPORATE GOALS
- ▶ INCREASE DAILY ENGAGEMENT
- ▶ IMPROVE PERFORMANCE ACCOUNTABILITY
- ▶ MORE EFFICIENT REVIEW PROCESS

Cost Savings via Higher Retention

- ▶ CREATE MEANINGFUL FEEDBACK
- ▶ UNDERSTAND DEVELOPMENT NEEDS
- ▶ PROVIDE FAIR COMPENSATION ADJUSTMENTS

**“COMPANIES THAT INCREASE
EMPLOYEE ENGAGEMENT
SEE IMPROVEMENT IN
OPERATING MARGINS.”**

Towers Perrin,
New Realities in Today’s Workforce

SUMMARY

An automated system can ensure that your organization's performance management is built around world-class best practices, encourages management and employee participation, operates more efficiently, and brings greater consistency to the entire review process. By abandoning ineffective, paper-based processes, your company can establish tighter links between employee and organizational goals and produce stronger performance evaluations that integrate more closely with compensation, employment planning, retention, and more.

SuccessFactors Professional Edition: Automated Performance Management for Small & Mid-Sized Businesses

SuccessFactors offers a complete, automated performance management solution designed specifically for medium and small businesses: SuccessFactors Professional Edition. This affordable, web-based package will enable your company to quickly and easily implement performance management best practices and automate painful manual processes. With SuccessFactors Professional Edition, you'll enjoy higher employee engagement, better HR and executive oversight, and more efficient business practices.

Key features of SuccessFactors Professional Edition include:

- ▶ **ONLINE PERFORMANCE REVIEWS.** Reduce paperwork by 90% and significantly increase employee participation and feedback quality
- ▶ **ANONYMOUS 360 REVIEWS.** Easily request and collect anonymous feedback from anyone in the organization at any time
- ▶ **STREAMLINED GOAL PLANNING.** Establish S.M.A.R.T. goals, increase goal visibility and align employees across the company
- ▶ **STRONGER COMPENSATION PLANNING.** Create a true pay-for-performance culture to motivate and reward employees
- ▶ **ROBUST REPORTING & ANALYTICS.** Get a real-time, graphical representation of the performance of your company with a powerful, customizable dashboard

Unlike traditional software, on-demand applications like SuccessFactors Professional Edition are extremely easy to implement – with no software to install. Managers and employees at your organization simply log in to the system from any web-enabled computer 24/7 to access forms, goals, and other pertinent review information. Plus, SuccessFactors Professional Edition is more affordable than you may think—with no special hardware to buy, no IT support required and no expensive upgrades to purchase, since they're included in your subscription price.

For more information, visit us at www.successfactors.com or call (800)809-9920.