

Automating Your Performance and Competency Evaluation Process

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Overview

Performance evaluation software is one of the newest and best tools for Human Resources.

Moving from a paper based to an electronic performance appraisal system saves time, money and significantly improves the evaluation process for both the employee and the organization.

However, transitioning the organization to a new system takes planning and preparation.

This article's objective is to discuss the benefits of moving to an electronic performance appraisal system and to present the transitional issues that Human Resources professionals need to consider.

I. The Benefits of Automation

Benefits for HR and Administration

One of the most powerful benefits of an electronic performance appraisal process is the automatic collection of organization wide data on employee performance and competence.

As your managers are doing appraisals, they are in fact entering a treasure trove of previously untapped data on employee performance and competence. Executives, Managers,

Supervisors, Human Resources and/or Training departments have the ability to analyze this

quantitative data and implement learning initiatives based on actual employee and organizational needs.

For organizations that operate in regulatory environments, electronic data gathering provides both relevant and timely information often needed for reporting requirements. For other organizations, whether regulated or not, a database of employee information can yield valuable information. In addition to highlighting training opportunities, information regarding employee morale and productivity can be mined.

The effectiveness of organizational goals and values can also be monitored through software. Having everyone's appraisal contain the same competency or value makes it a lot easier to implement and monitor a culture change. For example, during the recent HIPAA compliance period, we were easily able to add confidentiality standards to our clients performance appraisals. They, in turn, were able to see how well their employees understood and complied with HIPAA requirements. Utilizing an electronic performance appraisal system also makes it easier to integrate organizational values like attendance and punctuality into all employee's performance appraisals. An electronic performance appraisal and competency evaluation system is one of the most effective ways to communicate organizational standards to employees.

Benefits for Managers and Supervisors

Automatic scoring and electronic approval greatly increase the accuracy and efficiency of the process. In the past, a good deal of time was wasted tracking down the paper trail to verify the correct status of employees. An electronic interface with payroll and/or HRIS provides for the automatic transfer of up to date information to the performance appraisal system.

Typically, software applications have features like goal setting, journaling, and spell check that increase resources available to your managers and improves the quality of performance appraisals. For example, an online diary/journal allows a manager to add notes on an employee's performance throughout the year. This prevents the common evaluation error of basing the employee's appraisal on their last 30 days of performance.

Benefits for Employees

An electronic performance management system simplifies the task of standardizing both the format of employee appraisals and organizational expectations. This not only makes the review process more equitable, but employees perceive it to be more equitable.

An electronic performance appraisal system makes it possible to implement an extensive 360 review process, providing valuable information to employees on how their performance is judged by others in the organization.

Initiatives like a 360 review process drives the need for greater computer access for all employees which organizations are typically able to satisfy by providing for common use workstations in various location.

II. Selecting the Performance Evaluation Software: Build it or Buy It

One of the first questions the Human Resources staff needs to answer is should the organization “build it or buy it?”. There have been some successful attempts with “homegrown” technology. The advantage is that the existing paper process can be mirrored by the software. This eliminates the transition for employees and managers to a new process.

There are several disadvantages of building the software internally. Organizations typically do not have the time or expertise to devote to building and/or maintaining a system. The cost of building one is relatively high, and usually ends up costing more than buying an already developed product. As performance management is typically not the primary business focus of your organization, it is harder to ensure that an internally built software will contain up to date performance management features. The organization also loses a valuable opportunity to revisit and revise the performance appraisal process and individual employee’s job descriptions and/or appraisal criteria.

Five Things you want to Consider before you Buy

If you are considering an electronic performance appraisal system, whether it be off the shelf software or a web based process, there are dozens of vendors selling a variety of solutions. How do you evaluate both the vendor and the product? Five things one must consider using are referrals/references; an analysis of software features and functionality of the review process; a review of software content offerings; an analysis of industry specific knowledge base, and cost comparisons.

1. Referrals/References - Having a solid referrals from an industry peers is one of the best ways to limit your risk exposure. A thorough reference check is needed before you enter into any agreement.

2. An analysis of software features and functionality of the Review Process - A list of features and functionality to consider may include the following:

- ♦ Online Journaling
- ♦ Goal Setting
- ♦ Flexibility of Administrator's Modules
- ♦ 360 Review options
- ♦ Self Appraisal
- ♦ Process workflow
- ♦ Security
- ♦ Automatic Interfacing
- ♦ Support and Training Materials
- ♦ Consulting Services
- ♦ Application Hosting options
- ♦ Maintenance Agreement and Support levels
- ♦ Licensing Options
- ♦ Compensation Analysis
- ♦ Probationary (Introductory) review options
- ♦ Compatibility with current systems

Assessing a product's ease of use (functionality and process workflow) is vitally important. A complex system will be more difficult for your employees to use, potentially eroding their confidence in the process, and ultimately undermining the success of the new product implementation. It is important for you to prioritize what is essential for your organization, what 'would be nice' and what bells and whistles you can do without.

It is important to make a distinction between the performance management process and the performance management software. The process for your organization includes its compensation and organizational philosophy (pay for performance, number of rating levels, what your bell curve should look like), in addition to process workflow. Human Resources needs to listen to customers' opinions on what they consider to be fair and equitable processes. Why bother automating a process that is perceived as unfair by your workforce? Buy in to the new process is extremely important and you will want to involve key stakeholders in the vendor selection.

3. Vendor Software Content – Delving into the software content details (are performance standards and competencies thorough and “real world”?) is essential. In some cases vendors only sell products that provide a structure for performance appraisal process, leaving it up to the organization to provide all of the content. Operational stakeholders need to review specific software content and be satisfied that the vendor is familiar with your industry. Likewise, it is important to understand which performance appraisal philosophy (i.e. Management by Objectives) your vendor is following to ensure that their product is consistent with your organizational philosophies.

4. Industry Specific Knowledge – Every market sector has unique business needs, regulatory requirements and employee appraisal priorities. For example, in healthcare, the regulatory requirements of the Joint Commission on Accreditation for Healthcare Organizations (JCAHO) are very specific regarding job descriptions, performance appraisals and competency evaluations. If you were selecting a healthcare performance management system you would generally want to have a vendor who is familiar with that market.

5. Cost Comparison – The cost of a new system has several components and total costs are often not apparent at your initial sales meeting. With any software purchase, it is very important to understand both the internal and external short and long term costs. Generally, the costs can be divided into three areas: design and implementation, application ownership, and maintenance/support.

a) Design and implementation – With design, it is preferable to select a ‘plain vanilla’ product. If you customize your solution, it is important to understand the extra costs involved. Not only will you incur extra programming costs the first year, but every time there is an upgraded enhancement on the base product you will incur costs to make your custom program compatible with those changes.

The internal organization implementation costs should need be considered. How much time will they not have to do other organizational initiatives while they are spending time on planning, mapping, content development, communication and training?

b) Application Ownership – Generally, there are two major options for application ownership. Some vendors charge annual licensing fees while other vendors offer application service providers (ASP) agreements. Generally, licensed software runs on your internal hardware, ASPs are hosted by the vendor. Licensing arrangements are typically more expensive than ASP agreements. Licensing and ASP fees are usually paid annually. Annual licensing costs are typically the same as first year implementation costs, while ASP costs are a fraction of first year costs.

If you prefer an ASP agreement, you will need to review the average down time of the vendor's network, the vendor's back up and security protocols, and the terms and conditions of service termination. You should also consider, for both licensing and ASP situations, the hardware and software requirements. You do want to make sure that you own all content before you purchase the product.

Your organization may have a formal policy for ROI (Return on Investment) for any software purchase. This more formal approach, although tedious, does help one uncover the hidden costs of buying a system.

- c) Support (Consulting/Training, Help Desk and Maintenance) - Maintenance agreements, which protect your organization from bugs and errors are currently averaging about 18% of the purchase price. There is a lot of industry pressure for software vendors to absorb more of these costs and you will probably see this percentage decrease over the next few years. Help Desk support is essential if you do not want to overburden your own IT department. Be sure to get references specifically on how responsive the help desk is to employee needs. Typically there are several levels of help desk (live 24/7, email only, 24 hour response, etc.) with associated costs. Consulting and Training on the new process and/or software may be important to your organization, especially if your Human Resources department is understaffed. This is a good investment to ensure that the product is professionally rolled out and 'buy in' is secured with all stakeholders.

III. Planning the Process

Strong project management skills are needed to implement a new performance appraisal and competency evaluation system to ensure that the project is completed on time and within budget. Typically, implementing a new system takes four to six months for a small or mid size organization and up to a year for a larger organization. However, it is not until the first year of annual employee appraisals is complete that the system is considered fully implemented.

1. Managing Employee Perceptions

After your stakeholder group has made its recommendations and you receive executive approval to move forward, it is important to continue effectively managing employee

perceptions. It is ideal to use a wide variety of communication and media (focus groups, email, memos, brown bag lunches, payroll announcements, etc). If you are transitioning to an entirely new process, proactive communication is essential. If you have already engaged employees in the evaluation design process before implementation, you are on your way to having a successful product launch.

Other stakeholders that need to be considered are union representatives. Although the new system may not cover bargaining units, it is important to inform union representatives of the process. Often, they have positive input into the new process and are willing to have the process rolled out to their members after initial implementation.

2. Preparing your HRIS

Mapping your current HRIS to fields in the new software takes time and effort. Testing by vendors, Human Resources and IT are essential. Safety, security and confidentiality are critical due to the nature of performance appraisal.

3. Transitioning to the New Process/System

If you have the opportunity to run both performance appraisal programs simultaneously for six months, that is ideal. This gives managers the time to learn the new system, but alleviates the pressure on learning it and using it immediately. Also, it is not acceptable to change performance standards mid cycle, so this transition period is essential if the actual process is changing. This is also the right time to validate the security and stress testing (how many

employees can be using the system at the same time) of the system.

4. Orientation and Training on the New System

Employees are often stressed when it comes time for them to actually use the new system they have heard so much about. Computer training is difficult as there are so many levels of computer user competency. It is best to have small hands-on classes (and one on one training if possible) with plenty of manuals and guides available (paper and on line) to increase the comfort level of your employees. Many organizations use a HR Kiosk for employees that don't have computers to complete their reviews. This kiosk can also be used for one on one training.

IV. Analysis and Reporting of Human Resources Results

There are many positive benefits of implementing a new performance appraisal system. Cost savings, productivity improvement and organizational development are primary results of a successful implementation.

- 1) Cost Savings - It is important to quantify cost savings and return on investment, and communicate your results to senior management. (include TCS cost savings sample). It is important to show long term costs savings.
- 2) Productivity improvement – Simply communicating performance standards raises the level of quality and customer service throughout the organization. Often times, the transition to the new application breathes new life into the performance appraisal process.
- 3) Organizational Development – From year to year, reports from the system will show quality improvement or identify areas where additional learning and organizational

development is needed. Because these statistical reports are based on real user needs (performance appraisal deficits), they provide a foundation for Learning/Education programs. Some of the most statistically significant reports are from performance objectives that all employees are evaluated on (i.e. organizational values, time and attendance).

Automating your performance appraisal and competency evaluation process is an idea whose time has come and a win win for HR professionals.

NOTE: Include Executive Summary and Bio with Submission