

How to Reap the Benefits of Online Performance Evaluation When All Employees Aren't Connected

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It is no secret that most managers loathe the performance evaluation process and put it off as long as possible – some altogether. In its most common form, the traditional performance review process looms as an imposing annual administrative burden. The cumbersome processes that many companies implement to manage performance evaluation often result in lengthy review cycles, limited performance tracking, and paper-based documentation which, at best, is difficult to aggregate so that trends across the organization can be identified.

For some time now, companies have known that the cost of conducting traditional, paper-based performance evaluations can be outrageously high. Indeed, a 1997 survey of HR professionals identified several, mostly time-related costs of conducting traditional performance appraisals (Nickols, 1997). The direct and indirect costs cited by the survey respondents included:

- preparing the appraisals
- setting goals and objectives
- conducting interim and annual performance reviews
- reviewing at higher levels appraisals written at lower levels
- designing, printing, copying, filing, and distributing appraisal forms
- designing and communicating the appraisal process
- training supervisors in the appraisal process
- handling post-appraisal appeals and grievances

While determining the exact cost of instituting and operating a paper-based performance evaluation process is difficult, one manager derived an annual per-employee cost of \$1,945.00. Based on an estimate of the number of full-time employees receiving performance reviews, he pegged the cost of his company's performance evaluation process at \$100 million!

Frustrated by the costs and limitations associated with paper-based processes, some companies have explored using online performance evaluation tools. At this point, you may be thinking..."*The business community needs another article on performance evaluation (PE) software like Tiger Woods needs another commercial endorsement.*" One need only do a cursory search of popular business magazines, company-sponsored white papers, and online discussion venues to appreciate the multitude of editorials discussing the merits of online PE tools as vehicles for helping companies manage toward their corporate objectives. Add to this list the accumulating inventory of HR knowledge hubs, communities, and marketplaces and even the most erudite HR managers may find themselves overwhelmed.

While the available literature on PE software is abundant, there has been relatively little discussion on the implications of Internet accessibility on the use of online PE tools. For example, parts of many companies are not fully computer enabled and require alternate communication vehicles. This is common in both sales and manufacturing functions. Often times, this scenario leads HR professionals to jettison the idea of using online PE

because of the inability to include all employees in the process. But, is this really the only option?

With the Internet becoming more important to how companies communicate internally it's no surprise that the penetration of online PE continues to grow in organizations. With the implementation of online PE, organizations have dramatically increased the effectiveness of their existing performance management process without having to drastically transform the process they use for evaluating and communicating employee performance information.

Return on Investment (ROI) and Online PE

Online PE has removed many of the burdens associated with traditional performance management processes, most notably the ability to continuously track and evaluate employee performance over a period of time (e.g., annually, quarterly). In paper-based systems there is simply no way to tell how the process is progressing across an organization. With an online system, automated procedures allow managers or HR administrators to view real-time reports on participant status and follow up with participants electronically, mitigating the burden of chasing down incomplete evaluations. This frees their time and attention, permitting them to focus on more strategic issues.

In addition to facilitating the process of conducting performance evaluations, and arguably more important, online systems bring about significant organizational change and performance improvement through powerful reporting. Collecting performance data in an automated fashion permits the creation of an organization-wide performance database from which executives can extract substantial organizational insight. Executives can review aggregated data to gain insight into strengths and weaknesses at the workgroup, departmental, or organizational level, yielding substantial benefits for compensation administration, training and development, succession planning, and other HR activities. Because the employee performance data reside in a central location, they can be linked to bottom-line results that are meaningful to organizations, including financial indicators like sales growth, profit, and market share.

Lest one think the only benefits of online PE costs are intangible (e.g., time savings), there is also considerable impact on a company's bottom line. Real ROI results from improved productivity and resource redirection into revenue generating activities. Managers and their staff spend less time focused on the PE process and more time on the critical functions of their jobs. Indeed, one company found that implementing an online process for nearly 10,000 participants resulted in annual savings of approximately \$640,000.

Addressing Obstacles to Online PE

Clearly there are benefits to migrating a company's paper-based performance evaluation system to an online process. This begs the question of *why* more companies haven't embraced technology as a means of facilitating the dreaded PE process. Undoubtedly, there are a number of reasons for not implementing technology, including budget limitations, lack of support from internal IT groups and other business functions, and an insufficient infrastructure to permit all employees online access. While others have addressed budget and support issues, few have tackled the scenario in which a segment of employees lack regular access to the Internet. As with budget and support issues,

there are ways to circumvent the problem of Internet accessibility so that all employees can take part in the same PM process, while still allowing the organization to profit from use of an online system.

Setting up employees to be able to access the Internet from home or creating kiosks to communicate with deskless or disconnected employees are potentially viable options, but are often abandoned because they require additional employee effort in an already unpopular process. A more promising alternative is to outsource the cumbersome, time consuming and labor intensive processing of those performance evaluation forms that must be completed on paper. A VP of HR in a mid-sized Healthcare company recently noted that "to handle, sort, and process approximately 73,000 pages of performance evaluation data consumes multiple internal resources and involves 28 person-days of processing time."

By outsourcing this process, the HR department was able to redirect their focus on activities with more strategic impact. As the company migrates to an online performance evaluation process, they will continue to outsource the paper-based based evaluations for disconnected employees. These data will be seamlessly integrated with data from the on-line system in a performance database which the HR department can use to analyze performance trends across the organization. Advanced online reporting capabilities mean reports can be generated quickly and at various levels of detail to provide decision makers with the strategic information they need on employee performance within their department, function, or the entire organization.

Outsourcing the processing of paper-based performance reviews is not a panacea for addressing the disconnected employee dilemma in that it does not allow for the regular tracking of performance during the performance period. However, it does provide the opportunity to build a performance database from which executives can gain unprecedented insight into performance strengths and development needs across the organization. Furthermore, it allows organizations to develop realistic implementation plans for integrating technology into the performance management process – whether paper outsourcing is part of the interim solution or remains a central feature of the ongoing performance management process.

Conclusion

The unfortunate reality of transitioning to an online PE solution is that many companies have large groups of employees that do not have computer access, as in manufacturing, sales, and similar industries. This presents the problem of handling two disparate PE processes - one online and one on paper – and, as a result, many companies opt to preserve the paper process. Implementing a hybrid solution, that combines both online and paper processing, offers companies a viable alternative to maintaining a cumbersome paper-based PE process. Through paper outsourcing, companies achieve the same results as using an online PE system. In addition, paper outsourcing represents a constructive, intermediate step towards transitioning from a paper-based process to online PE.

Ideally, one vendor would provide both services – an online system coupled with paper processing. Data sharing and integration pose challenges if multiple service providers are used to manage the separate PE processes. A single point of contact facilitates connectivity between business functions and applications. In addition, companies get a

best of breed solution, one that is tailored to its specific requirements and developed in step with advances in technology.

References

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Author Bio

**Russell Lobsenz, Ph.D., viaPeople, Inc.
Manager, Consulting Services**

Russell is a recognized Industrial/Organizational Psychologist who has counseled senior managers in planning and implementing human capital management initiatives for over ten years. His expertise in developing employee assessment systems, performance management programs, and organizational surveys enables him to direct his clients towards human capital management systems that optimize their workforce. Prior to joining viaPeople, Russell worked as a Performance Management consultant for Performaworks, as well as an internal consultant for the Federal Bureau of Investigation, Bell Atlantic, and Square D Company. In addition, Russell is an adjunct faculty member in New York University's Graduate School of Arts and Sciences.

Contact Information:
(212) 695-7487
rlobsenz@viapeople.com