Appraisal Software Ends HR Paper Chase

Human resource professionals welcome online capabilities and automated processes

By Judith N. Mottl

Finding, keeping, and tracking employees using updated and accurate performance appraisals is critical to business. Yet at many companies, the process falls through the cracks because it's time-consuming, paper-intensive, and low on the to-do list.

To reverse this trend, online performance appraisal software is filling an important niche. Human resource professionals say that by automating the process and adding collaborative, online capabilities, productivity and retention will improve, and employees can take a more active role in advancing their career.

With Web-based appraisal software, employees and supervisors create documents via a browser and route them over the Internet to gather comments and obtain approvals from necessary managers and HR staff. Some software applications guide users, suggesting proper language, offering prompts and alerts about inappropriate statements, and giving a historical perspective of past reviews by archiving documents in a centralized, online location. "Filling out forms, routing, and tracking is a nightmare and managers already have enough to do," says Jenni Lehman, research director for enterprise and supply-chain management at Gartner Group. Putting the process online can help.

When Gentiva Health Services Inc. migrated its paper-based employee performance appraisal process to the Web in 1998, HR led the way, but IT helped in the selection process--particularly in the 500-user pilot program, which included 200 IT staffers. They offered valuable insight in evaluating SuccessFactors.com's PerformanceManager, recalls Diana Rivenburgh, assistant VP of organizational development at the Melville, N.Y., company. "Getting [IT] input made the pilot more challenging. It helped us a great deal in feedback and suggestions on making the software fit our needs," Rivenburgh says.

The $1.5 billion provider of home health care and management has now rolled out PerformanceManager to half its 6,000 employees, including supervisors and managers, and plans to complete implementation by year's end. The application costs from $50,000 to more than $1 million, depending upon the number of employees and scope of services required. It includes appraisal-form templates, a career plan, skills development, and thousands of writing examples to help create those plans.

Gentiva's traditional appraisal process--which included printing, distributing, routing, and tracking forms to and from 1,200 managers at several hundred locations--had become too burdensome, says Rivenburgh. Appraisal quality was diminishing as managers missed completion deadlines and employee involvement was limited, affecting productivity, job satisfaction, and achieving career goals.

While some packages use a document-sharing approach, others offer separate forms for employees and managers. Several packages also provide a so-called 360-degree review program so that employees can request feedback on their job efforts from co-workers, customers, and indirect managers. For privacy reasons, these comments can only be viewed by the employee. However, most software can be customized to reflect a company's existing paper-based appraisal forms and rating systems.

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As in Gentiva's case, HR departments usually manage the applications and users' questions, while IT gets involved for technical support. Gentiva's goal in revamping its employee performance management process is efficiency and to encourage year-round employee feedback and management coaching.

The company wanted "to drive individual accountability for [job] performance," Rivenburgh says. Companies may have the best intentions, but appraisals and reviews aren't popular with employees. "It's difficult to play judge on someone's performance. Using a Web-based approach makes sure it gets done," she says. E-mail alerts remind managers of appraisals due or not completed, while also keeping the employee in the loop.

In the past, Rivenburgh says, it was difficult and time-consuming to call or visit a manager to check on the appraisal process. Forms and folders could easily get pushed aside or shoved into a pile of unrelated documents, slowing the process.

Gentiva employees now can receive feedback well before the one-on-one appraisal discussion and effectively focus on goals and objectives. The appraisal is a living document, not one filed away in a drawer, she adds. Just as important, the company expects that the new process will improve its compensation program by making sure appropriate rewards are doled out.

While businesses have steadily automated HR and back-end processes, software for specific employee needs such as appraisals hasn't drawn much attention until recent years. The early versions were PC-based, so the app would have to be loaded onto every employee and manager's PC, as well as notebooks and telecommuters' desktops. The initial software also didn't offer features that improved appraisal quality, but primarily moved the forms into Word documents, where they still needed to be printed for routing and approval.

But today's solutions, from companies such as KnowledgePoint, PerformaWorks, Softscape, and SuccessFactors.com, are quite robust and increasingly popular. Most of these solutions are relatively inexpensive, averaging under $100,000 for midsize companies, especially when they're supported by application service providers. Return on investment usually comes within a year, and there are often tremendous savings of labor and time from reducing paperwork and tracking worker progress, advocates say. So far, none of the leading ERP players have offered dedicated products, though a few are starting to add performance appraisal add-on modules to their packages.

Equiva Services LLC, a Houston joint venture that provides business services, including HR and IT services for Saudi Aramco, Shell, and Texaco, put several tech leaders on its employee panel when it investigated HR software early last year. The IT department played a strong role in choosing Softscape's AchievementPlus that May, says Monte King, Equiva's HR director. AchievementPlus is available on a per-license basis, through ASPs, or as a per-seat license, with prices starting at $30,000 per module.

A hosted system was best for Equiva because its tech division didn't want to customize the software, says CIO Paul Cuneo. To use the application--which is hosted on Softscape's server--employees log on to the Softscape site using a personal password and access appraisal documents, a library of forms, and application support files. "We had no big desire to own it since we hadn't developed the application and had no real support capability," Cuneo explains. In-house management would have also required IT training for support and development needs. Moreover, Equiva wouldn't have rolled out the app as quickly if it were done in-house.

Equiva had two goals in revamping its appraisal process: enhanced employee performance and development capabilities, and a 360-degree feedback program. However, conducting this program on paper would have quadrupled the paperwork, says King, and extended the time required to have appraisals completed.

In the rollout last October, 85% of Equiva's 1,700 employees solicited for 360-degree feedback participated--a much greater response than a paper-based process would have provided, Cuneo says. A total of 18,000 forms were processed over the Internet and Cuneo attributes the high response to the Web's ease-of-use and reminder alerts. "That's about 10 [replies] per person, which is a lot of involvement. We want to help people measure and improve their performance," says King. Since about 9% of the company's 8,500 employees are remote, the collaborative, Web-based application also improves communications and participation, King adds.

Among the half-dozen appraisal and performance packages available, all offer efficient routing methods for program compliance and a central hub for forms and employee review folders. Several also provide reporting capabilities, integration into back-end compensation systems, and in-depth content support.

In choosing the right solution, Gartner's Lehman says, companies must determine goals, product features, and expected results. "Companies have to be careful because there's a real difference between having a robust app to help you manage and improve your performance reviews, and a Web-based process that just automates the process," she says.

Steve Ostiguy, manager of organizational performance at Textron Financial Corp., a subsidiary of Textron Inc., has experience with both types of products. Ostiguy helped his former employer implement a PC-based appraisal app several years ago. When he joined the $7 billion commercial finance company last year, Ostiguy saw an opportunity to reap even better benefits with newer technology.

In September, the Providence, R.I., company began testing SuccessFactors.com's PerformanceManager, a Web-enabled version of the Austin-Hayne product that Ostiguy had previously used. Textron plans to continue the pilot program at several large business locations until year's end and make it available businesswide in early 2001. Austin-Hayne and SuccessFactors.com merged last February.

"We want to manage performance appraisal and feedback and align employee goals with objectives," Ostiguy says. The biggest plus of the system, he says, is that instead of just an annual review, employees and managers can discuss goals and career planning throughout the year.

Ostiguy has no doubts the app will boost the company's current 75% form-completion rate. Even with the PC version, his former employer saw compliance jump from 65% to 98% within a very short time, he says.

But that's only one part of ROI. Tying objectives and goals to the appraisal process--and changing those goals as needed--is what prompted The Woolf Group to implement PerformaWorks' eWorkbench product this May. Eight executives are using the app, and the company expects to have more than 100 in-house and contract employees on the system by early 2001.

Fast growth demands flexibility, says Pat Walls, director of HR and administration for the Durham, N.C., pharmaceutical staffing and services company. "Our paper system didn't accommodate the changes a growing business experiences," she says. EWorkbench lets HR change an employee's goals and objectives as corporate goals and objectives change, she says.

Users and analysts also believe Web-enabled EPM solutions will boost recruitment efforts. Employees want to work for companies that embrace new technologies, says Marcie Newman, former VP of HR for Web-design company Xpedior Inc.'s Midwest region in Chicago. "Employees in our industry like to feel that their employer is willing to use technology," says Newman, who retired in September.

Other HR specialists say enhanced performance appraisals go a long way in retaining workers, too. "One of the ways you retain people is to keep them on the same page as the company so they understand at all times what's expected. Employees also appreciate being fairly measured on performance," Walls explains.

That's why Xpedior's Midwest region plans to launch an appraisal-performance system in the near future. It reviewed KnowledgePoint's Performance Impact this summer. The system offers 360-degree feedback, as well as a year-round performance review system. Since its 500 employees all participate in quarterly personnel evaluations, the company was swimming in paperwork and losing precious staff time in the tracking process. In addition, the company's business had changed over the past few years, Newman says.

Initially, Xpedior handled large client-server relational database projects that took from six months to two years to implement, so employees worked for a specific manager during that time. Today, the projects are shorter and employees change managers more frequently. While reviews are still quarterly, there's likely to be more than one manager involved.

Xpedior also instituted a career advocate program--where senior executives and managers serve as career counselors to junior staffers--which added a layer to the performance review. The career advocate conducts an annual review with an employee, while project managers continue handling the quarterly review duties.

"The online system cuts down possible paperwork and lets managers share information in a very efficient way," Newman says. Xpedior has KnowledgePoint's software at several regional offices. The Web version would allow for a quick rollout to the Midwest region's 300 employees, she says.

Avoiding possible IT implementation headaches is also leading many users to an ASP model. However, "there are a lot of companies still squeamish about the thought of [using an] ASP for HR information, or Web-hosted scenarios for HR information, believing security is an issue," says Gartner's Lehman.

"They fail to realize that after every payroll they're creating huge, confidential data files, which they then send off-site as part of the payroll process," Lehman says. Appraisal data, she notes, is no more sensitive than payroll. For $4.7 billion Corning Inc., security wasn't as big a hurdle as determining when to rollout, says Hank Jonas, manager of compensation and organizational performance .

"The use of technology is no longer an option but an absolute necessity," says Textron's Ostiguy. "We have to incorporate tools like this to remain efficient and sustain our competitive advantage."

Equiva's King emphasizes that an online process doesn't de-humanize it, but actually facilitates stronger communication between management and staff, igniting more involvement in the process from both sides. "We want a combination of high technology and high touch in our performance process," King says. "Having an online system doesn't take away the need for the personal conversation and dialogue, it just lets everyone use the process much more constructively."