



SUMTOTAL  
WHITE PAPER

# Getting started on your Employee Performance Management initiative:

Five questions every HR pro should answer

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# Getting started on your Employee Performance Management initiative: Five questions every HR pro should answer

If you're an HR professional looking to start an Employee Performance Management initiative in the next year, most consultants would recommend that you ask these key questions:

1. What's driving your EPM needs?
2. In your organization, what are the most important features of an EPM?
3. Would you expect to integrate with other HR systems?
4. What challenges would you expect to face in getting your initiative started?
5. How would you deploy your EPM?

SumTotal recently surveyed a global sample of more than 20,000 HR professionals on these five crucial aspects of EPM, and found a common dilemma — tremendous need for online employee performance management tools, thwarted by a lack of resources. This isn't surprising considering the current statistics: According to the Bersin & Associates Performance Management 2006 Study, "only 32% of organizations have a consistent, enterprise-wide approach to this important business process." And almost 90% still do not use specialized software to support EPM.<sup>1</sup>

Respondents to our survey, though overwhelmingly enthusiastic about the possibility of implementing Employee Performance Management (EPM) software, cited internal time, resources, and budget as enormous barriers. The majority also preferred software installed on their own servers — but this approach is the most taxing to already-stretched internal resources. The solution: Business Process Outsourcing may be the most cost-effective way to remove the burden from your IT and HR teams.

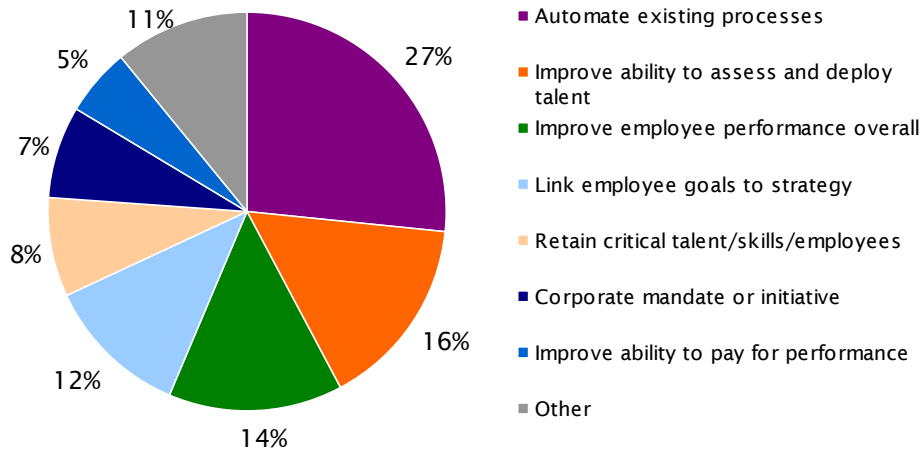
Let's look at the details.

## Business drivers

Why should any organization implement an Employee Performance Management system? Ultimately, a well-functioning and appropriately-used EPM can deliver real, bottom-line business results. However, those results don't come overnight. A talent management strategy usually starts at the tactical level, as Bersin & Associates found in their Performance Management 2006 study: Organizations tend to focus on automating their employee appraisal process first, before moving into more complex, more strategic talent management initiatives such as goal management and succession planning.

Our study found a similar pattern — just over one-quarter of respondents said their primary business driver is to automate existing processes. The lesson here: Pure automation as an initial goal doesn't mean you're not being strategic. It is simply the first step toward executing your HR strategy.

## If you purchased or plan to purchase an EPM system, what is your primary reason?

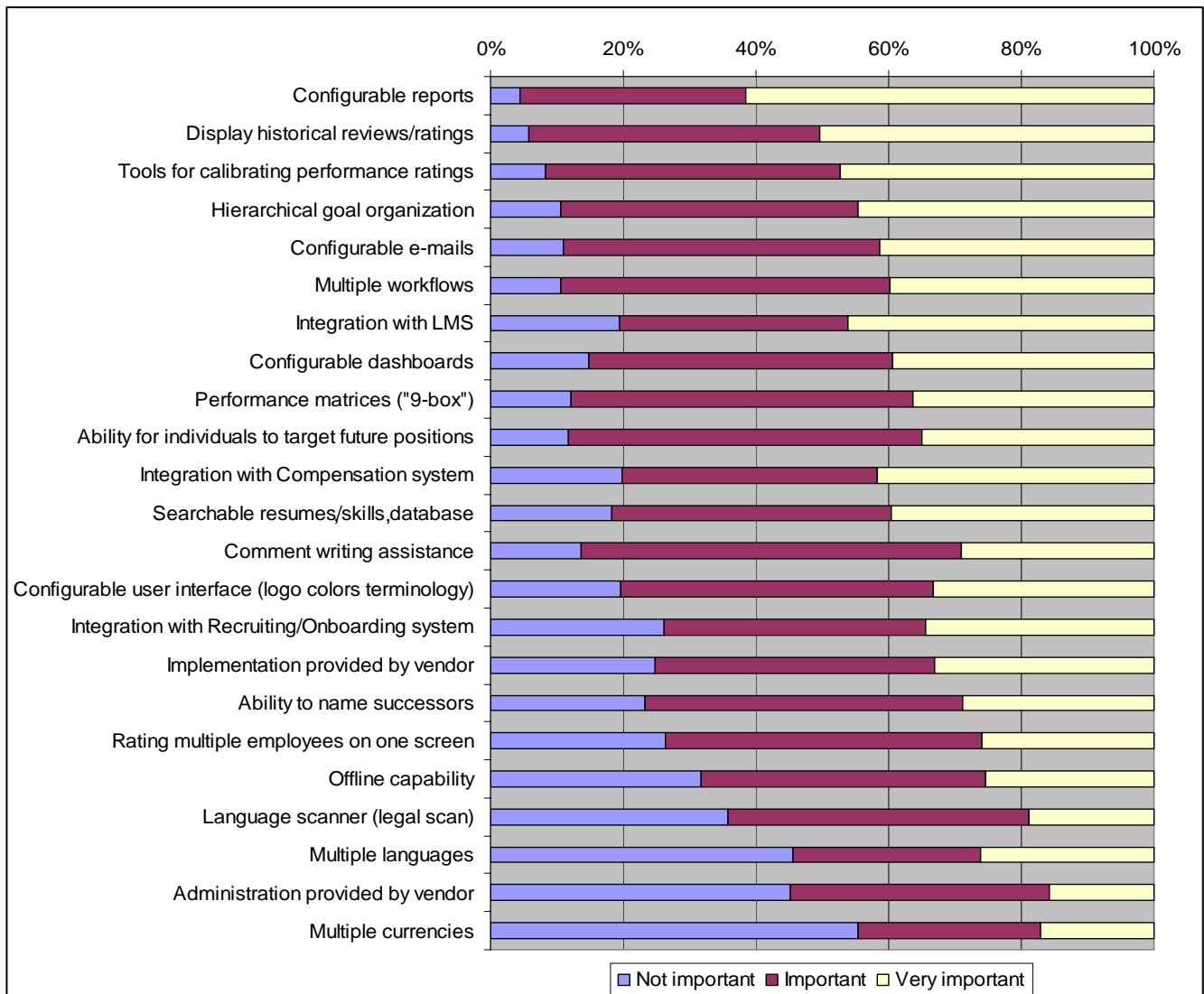


## Most important features

Our survey respondents' top 10 most important EPM features follow. They demonstrate the critical nature of two main system features: configurability to match business needs, and the ability to slice and dice employee performance data for actionable information.

1. Configurable reports
2. Display of historical reviews/ratings
3. Tools for calibrating performance ratings
4. Hierarchical goal organization
5. Configurable e-mails
6. Multiple workflows
7. Integration with LMS
8. Configurable dashboards
9. Performance matrices ("9-box") for succession planning
10. Ability for individuals to target future positions

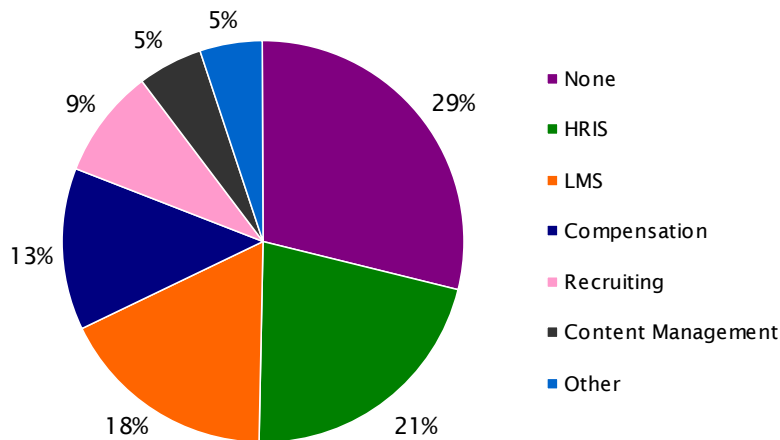
Please rate the importance of each of these EPM system features.



## Current integration

Of respondents who currently have EPM systems, most are not currently integrated with other Talent Management systems, although 21% are integrated with HRIS. Less than one-fifth (18%) have some level of integration with LMS.

### If you have an EPM system, with what other systems is it integrated?



Since online EPM is relatively new, this result isn't surprising. Besides HRIS Integration for employee data exchange, integration is a strategic initiative that often comes later in the process, once systems are fully implemented and refined, and users have developed a comfort level. The important point to remember is that when considering an EPM system purchase, future integration capability is critical.

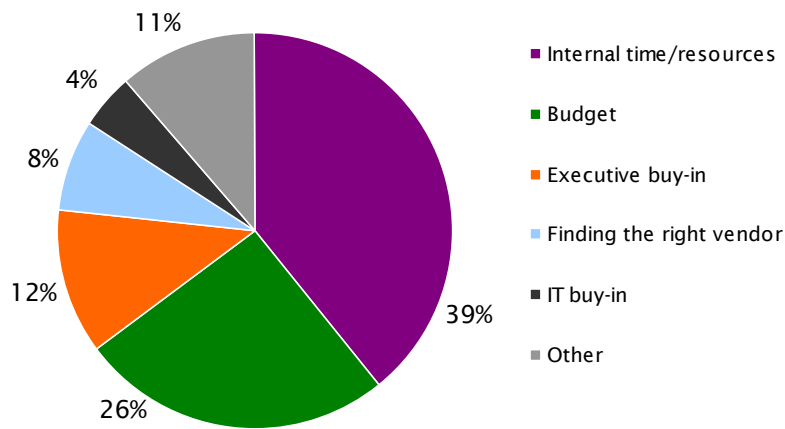
## Key challenges

So, you need to automate your existing processes to begin executing your HR strategy to deliver bottom-line business improvements. You're off and running.... Or are you?

As with any new initiative, you're going to need the time and internal resources to develop detailed system requirements and manage the RFP process. Then, once the system is purchased, you will need even more resources to implement it. In the Bersin study, the average implementation time was 7.5 months — and 17% of their respondents' implementations took more than one year.

Well over one-third (39%) of respondents to our study cited internal time and resources as the biggest challenge to overcome — closely followed by budget challenges, at 26%.

## What is the biggest challenge you expect to face in making EPM change(s) over the next 12 months?

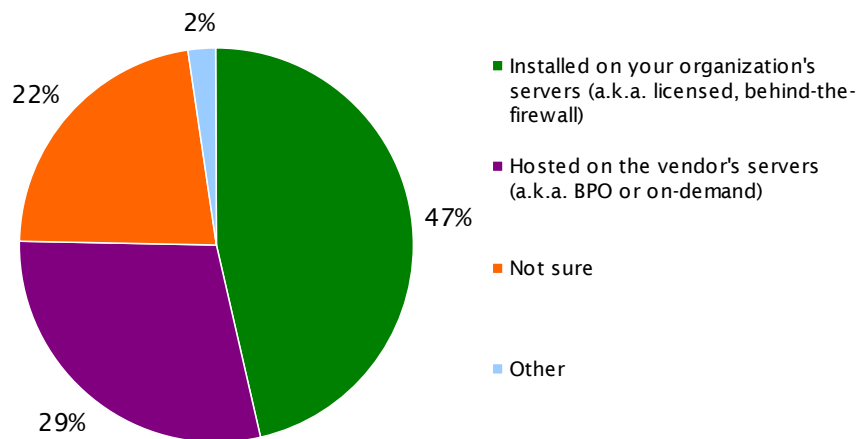


## Deployment preferences

We asked our survey respondents about their preferred software deployment: If they were implementing EPM software, would they rather install it behind their corporate firewall, or use an on-demand model?

While 29% preferred on-demand, and 22% were not sure, almost half (47%) of respondents said they prefer EPM software installed on their own servers. However, an in-house installation is by far the most time- and labor-intensive approach. Implementation time can easily approach the 7.5 month average implementation time Bersin cites — much longer than implementing an on-demand system. And after the implementation, additional vendor support may come with a hefty price tag.

## If you purchased or plan to purchase an EPM system, what is your preferred deployment?



Want more info on making a purchasing decision on your EPM software and the relative ROIs of installed vs. BPO deployments? Read the SumTotal white paper, **Selecting the Right Employee Performance Management (EPM) System** at [www.sumtotalsystems.com/whitepapers](http://www.sumtotalsystems.com/whitepapers). This document offers a framework to help sort through the often overwhelming EPM software options in a constantly changing market.

<sup>1</sup> Bersin & Associates, "Performance Management 2006: Market Analysis, Trends, Best Practices, and Vendor Profiles."

To learn more about how SumTotal can work with you to help strengthen business performance, please visit our Web site at [www.sumtotalsystems.com](http://www.sumtotalsystems.com)

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