



VALUE OF TOTAL PERFORMANCE SOLUTION

A WHITE PAPER PREPARED BY



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STRONG TEAM, STRONG BUSINESS.

Introduction

In today's hypercompetitive business climate, all organizations are looking to best leverage their most valuable resource – their people. Organizations that can best develop and manage their talent can apply the right personnel to the right tasks to gain an edge competitively. An effective performance management strategy leveraging the SumTotal TotalPerformance solution is central to this end. The value that an effective performance management system can bring to an organization is being realized by many organizations today.

Alignment With Corporate Goals

One of the biggest challenges that organizations face in developing their personnel for maximum business gains is aligning development efforts with the organization's goals. In a recent survey by Bersin & Associates, 60% of training managers indicated that their biggest challenge was to be sure their efforts were aligned with the company's business strategy.

- An effective performance management solution can ensure that goals and objectives cascade down from the highest levels of the organization. This way each individual employee can be in tune with the company goals and how their actions can contribute to those goals.
- The learning and development function within the organization can now tie their efforts to activities that will best develop talent that can impact the company's goals.
- The entire organization will now have a common language and direction as it relates to affecting the company's bottom line results. Each individual in the organization will be able to measure themselves against the goals that have been defined.

Clear Pathway To Performance

There are many organizations that do an excellent job communicating their company's goals throughout the organization without a performance management solution in place. If you were to query an employee working for such an organization regarding the company's goals they would be able to recite them by heart. However, ask that same employee what they personally are doing to improve their skills to best contribute toward those goals and you would likely get silence.

- An effective performance management solution enables organizations to lay out clear development plans so that employees know the actions they need to undertake to maximize their impact to the organization.
- Employees clearly understand the metrics and standards upon which they are evaluated and "fuzzy" evaluation criteria are removed from the corporate culture.
- The visibility of employee accomplishment and weaknesses is improved so that managers can provide more targeted and timely coaching to improve performance.

Developing a Performance Culture

Many organizations strive to develop a culture based upon performance where the individuals that are making contributions to the company's success are easily identified, recognized and compensated appropriately. A comprehensive performance management strategy is vital to developing such a culture.

- Employees see that the organization is serious about performance and employee development and is providing the tools necessary to support the process.

- Once a performance-based strategy takes hold it becomes woven into the fabric of an organization. Employees clearly understand they must be diligent in following their personal performance goals to be a successful contributor.
- The improved effectiveness of the goal setting and performance review process has been shown to increase employee morale and overall productivity.

Proliferation of Remote Workers

Many organizations today are highly decentralized from a management reporting perspective. This coupled with an explosion in the number of workers that work outside a company provided office makes the process of manager/employee communication challenging. The days of having a “manager down the hall” are gone for most organizations. An effective performance management solution helps facilitate the performance review discussion between a manager and their geographically dispersed direct reports.

- Transform the often rushed and tedious annual performance review process into a continual dialog between managers and their direct reports around performance improvement.
- A sound performance management strategy is a building block for effective succession planning. With a geographically dispersed workforce it is critical to know where your talent resides and where there is risk if that talent is lost.
- Managers can easily be held accountable to ensure that performance reviews are completed on time and with quality thought and ratings.

Removing Paper-based Processes

- Many organizations report that consistently less than 50% of their annual performance appraisals are completed on time using their existing paper-based processes.
- The cost and manual work involved in distributing, collecting and summarizing the results of paper or electronic document-based performance reviews can be eliminated using a performance management platform.
- An effective performance management strategy will include robust reporting capabilities to quickly summarize and report on performance improvement across all parts of the organization. This can provide a snapshot of organizational progress in a matter of minutes compared to the days that can be required to compile the results from paper-based processes.

Summary

Out of the twenty companies that made Hewitt Associates’ 2005 list of great places for leaders, all but two have beaten the Standard & Poor’s 500-stock index companies’ 156% total return to shareholders over the past decade. There is vast evidence that organizations that align, develop, motivate and retain a high-performance workforce are more productive and competitive. If you are looking to implement a performance management strategy to provide your organization with a competitive edge, SumTotal can provide the tools and expertise that you need to succeed.

Performance Management 2006. Comprehensive Industry Study: Market Analysis, Trends, Best Practices, and Vendor Profiles. Josh Bersin, Principal Analyst, June 2006 Page 166.

RESEARCH HIGHLIGHTS: How the Top 20 Companies Grow Great Leaders. Hewitt & Associates: Talent and Organization Consulting Practice, Marc Effron, Michelle Salob, & Shelli Greenslade. 2005.

About SumTotal Systems, Inc.

SumTotal Systems Inc. (NASDAQ: SUMT) is the business performance and learning technology industry's largest single provider of technologies, processes and services. Formed by the merger of industry pioneers Docent and Click2learn, the company is uniquely focused on helping organizations harness and manage mission-critical intellectual power to solve real-world business problems and produce significant bottom-line results. SumTotal has helped accelerate performance and profit for more than 600 of the world's best-known companies, including Microsoft, Cingular Wireless, Vodafone, Lucent, Accenture, Cendant, Harley-Davidson, Wyeth, Wachovia and D & B. SumTotal Systems is headquartered in Mountain View, CA, with offices throughout the US, as well as London, Paris, Heidelberg, Sydney, Tokyo and Hyderabad, India.

To learn more about how SumTotal can work with you to help maximize business performance, please visit our Web site at www.sumtotalsystems.com

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