



The fast-track to getting the tools you need to Align, Develop, Reward and Retain your organization's talent.

Building a Business Case for Automated Employee Performance Management

Looking to get approval on the talent management technology your department needs for effective performance management? This paper was designed to help you put together the best business case possible to get your project...





Building a Business Case for an Automated Employee Performance Management System.

In order to get departmental purchases approved, most **organizations require that you put together a solid business case** that demonstrates the pros and cons behind the project/purchase and argues the rationale behind the expenditure. Traditionally, business Profit Centers (departments that are viewed as having a direct involvement in generating revenue ex: Sales, Marketing, Development, Support, etc.) have had an easier time getting purchases considered and approved because they can often link the cost directly to an increase in revenue. Subsequently, business Cost Centers (departments that are viewed as having an indirect link to generating revenue ex: Documentation, H.R., Administration etc.) can have a slightly harder time justifying any larger expense.

As substantial costs & losses can now be attributed to low employee performance, succession gaps & high turnover rates. Business leaders are thinking of talent management as a strategic business unit that directly impacts success.

The past few years have shed light on [the importance of an organization's talent](#) and the strategic gravity of one's HR department. This has shifted the HR department from a Cost Center to a Profit Center as substantial costs and losses can now be tracked and attributed to low employee performance, succession gaps, and high turnover rates. Also, organizations are starting to realize that the largest expenditure on their balance sheet is often their talent – forcing managers and executives to think of Talent Management as a strategic business unit that directly impacts business success. This is good news for any manager or HR professional looking to take advantage of technology by automating employee performance management (EPM) processes. Having an automated system in place is becoming much less of a luxury and more of a necessity for any organizations looking to optimize output and retain a competitive advantage in their market space.

[Getting this purchase considered and approved will require you to present a structured and to-the-point business case](#) that will fill senior executives in on the most important and relevant facts that they will need to make an informed decision (hopefully in your favor).

Going at decision makers saying that 'an EPM system will save time and money' just won't cut it. Implementing new technology often requires an evaluation and reconfiguration of a major business process (or in some cases the creation of a process) and thus you will have to present a solid business case that will not only justify the money spent on a new system, but also the time and effort needed to revise your processes. Getting a new system in the door will require you to sway senior executives to look past the bottom line (a challenging thing to do) and see the somewhat less-tangible benefits and future abilities and pay-offs of an EPM system.

[Don't worry](#) – our expert team of diverse professionals (ranging from business consultants, IT professionals, HR leaders, and finance professionals) have weighed in to help you build the best case possible in order to get your purchase approved. **We have compiled all of our knowledge and experience into one document in order to guide you to quickly and easily build a great business case** for an automated employee performance management system.



Summary:

Technology is invaluable in a world where optimizing every business process is not merely a competitive advantage, but a necessity for business survival.

It is no secret that automating the administrative aspects of business has its benefits and rewards, specifically, automating performance management processes makes it easier for companies to align employees' goals with corporate objectives. It makes tracking and analyzing performance simpler and more effective, and allows companies to get a real-time view of the health of their talent-base. This enables companies to identify and track their high and low performers. Such insights are invaluable in a world where optimizing every business process is not merely a competitive advantage, but a necessity for business survival. Companies have to do more with less and the truth is that you get exponentially more output from high performers than you do out of low performers. Developing and retaining these top performers is key to organizational success and these feats are impossible to accomplish in a timely or effective manner with any legacy manual processes.

Now, let's move along and take all of the aforementioned benefits of an automated EPM system and insert them into a well-structured business case.

The chances of getting a new technology purchase approved is greatly increased with a bit of planning and an effective business case to present.

Things to consider before getting started:

- Does your organization already have processes or templates for submitting purchase requests? Larger organizations often have templates and specific guidelines to follow when submitting purchase requests. It is important to follow any outlines protocol to avoid wasting time and having your proposal discounted.
- Who will you submit the request to? Do some research to determine who should receive the business case.
- Is your organization already looking into something? Your organization might have a parent company or other branches that might also be looking into an automated performance management system. To avoid wasted work and to ensure that a streamlined story is presented, it is worth looking into other departments to individuals who might also have an interest in submitting a request. If you find that no one else has started anything, it might be useful to get them involved so that all angles are addressed in the business case.

Why build a business case?

There are many reasons that justify investing your time and effort into building a business case.

Convince key decision makers – Simply stated, a well thought out and structured business case is the best way to convince decision makers.



Professional organizational protocol – Business cases are the professional route for having larger purchases approved.

- Shows proactivity and dedication to corporate success
- Helps evaluate processes – Building a business case goes beyond convincing people. It is a chance to assess and research current processes and to plan future improvements.

Outline the following 10 critical elements in your business case.

Building the business case

There are a number of questions that must be effectively answered when preparing a business case:

1. What are you proposing?
2. Why is there a need for change?
3. What are the benefits of changing?
4. How are we going to do it?
5. What are the costs of changing?
6. What are the risks involved?
7. What resources are required?
8. What are the alternatives?
9. What is the financial significance?
10. What is the plan of execution

1. What are you proposing? (Objectives & Goals)

This section should be a short summary of what you are proposing. You must introduce your idea clearly without any departmental or professional jargon. You must also list your objectives and goals for the project.

For example, the overall **objective** may be:

To implement an employee performance management system that enables automated appraisals, compensation management, succession planning, 360-degree feedback, employee surveys, effective reporting & analytics, and the ability to link company goals to employee output.

Your **goals** must be in line with the company's strategic plan, and may be along the following lines:

- Reduce the time spent by the HR department managing the appraisal process
- Reduce costs for the business associated with paying job agencies for temporary cover - by decreasing the level of staff turnover
- Increase the usefulness of appraisal data by having custom forms for different departments or job levels
- Ensure that corporate goals are properly cascaded down into the organization



- Provide managers with a tool for year-round feedback and performance management
- Engage employees in effective performance goal setting initiatives
- Identify high and low performers and develop them accordingly
- Ensure an accurate and effective pay-for-performance process that is easy to manage
- Identify succession, competency, or learning gaps and handle them in a timely manner
- Ensure that appraisals are completed in a timely manner to allow for proper decision making
- Unite and monitor the performance goals of a geographically dispersed workforce

2. Why is there a need for change?

Outline why there is a need for change and try to identify the link between your personal and department pain and that of senior management.

It is vital to identify and explain why there is a need for change. This section will identify what the current issues are for the department and the business as a whole. Significantly, you must pinpoint the pains felt by your department, as well as other stakeholders within the organization including those figures in senior management who need to approve your business case. Try to identify the link between your personal pain and their own. You are much more likely to gain business case approval if senior management can relate to the outstanding issues.

This is also the section where you can create a sense of urgency and significance for your business case.

Your personal pains and problems may include:

Number of days wasted (per month)*

- Sorting and filing paper-based appraisals
- Chasing down managers for documentation and appraisal sign-off
- Manually generating reports and spreadsheets
- Trying to share data with colleagues
- Handling lost appraisal forms

For the HR Director (maybe that's you too!), the major pain could be:

- Inability to generate and analyze accurate performance appraisal data and convert to accurate salary increases and training and development strategies
- Costs of employee turnover
- Current status of employee engagement if your current data shows that employee engagement is low, then be sure to note that in this section.



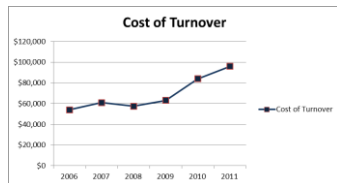
More business-wide problems may include the following:

- Integrity and overall objectivity of appraisal data – caused by different managerial interpretations and approaches to the appraisal process
- No consistent delivery of appraisals across the organization
- Lack of documented training and development plans
- Lack of employee engagement – leading to poor motivation, a high level of staff turnover and lost business skills and knowledge
- Lack of goal alignment – employees are not focused on the right goals
- Inability to tie employee performance to rewards and pay increases
- Employees not knowing corporate strategy and subsequently how their role should relate to it
- Managers spending too much time on the appraisal process and neglecting other business critical tasks
- Risks around accreditation
- Customer satisfaction – low employee performance often results in reduced customer satisfaction, which ultimately reduces revenues and brand loyalty.

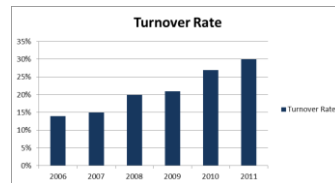
It's proven that people tend to focus on figures and charts to help absorb information – include visuals wherever possible and back them with concrete data.

Visuals Help! Executives are busy and most often, skim documents for headings, figures, and charts. Where possible, include charts to illustrate any trends that convey a clear need for change. If you do not have any data, this would be a good stage to conduct some internal and external research to obtain the facts necessary to argue your case.

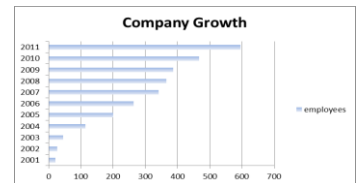
Some examples of compelling visuals include:



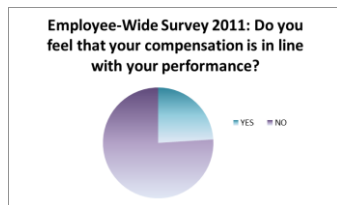
Any rising costs of employee turnover



The rate of employee turnover



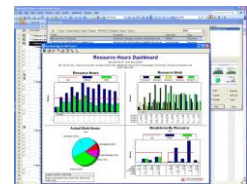
Company growth rate



Relevant survey data



The lack of insight into key metrics



Project costs of managing current system

3. What are the benefits of changing?

In this section you will list all of the benefits, which give credibility and overall support to your business case. Even if some of the benefits can't be measured or given a financial value they should be included at this stage.



A recent emPerform survey indicated that emPerform customers typical go from 49% on-time completion rate for appraisals to an average of 96% & managers save an average of 2 hours of work completing each appraisal.

Reduce costs – for example, by reducing the level of staff turnover, aligning staff with their objectives and training them to perform their roles in a more productive manner through personal development plans, we anticipate saving 15% of our expenditure associated with using recruitment agencies or contractors per year.

Gain access to key information in a timely manner

Increase productivity – for example, HR anticipate a 50% reduction in time spent generating appraisal reports and 45% reduction in time spent chasing managers for appraisals, saving X number of days per month.

Improve employee engagement and morale

Increase the level of informed decision-making through accurate management reporting – explain how an automated appraisal system can generate quick and easy powerful reports (out-of-the-box or ad hoc) resulting in more accurate tracking of high performing individuals, skills gaps and development plans.

Increase legal compliance and help protect against lawsuits and legal hazards by using clear and consistent documentation.

Quicker response to performance issues as they will be noticed in a timely manner.

Year-round feedback for the employee will increase employee engagement and improve performance.

4. How are we going to do it? (Next steps)

These steps need to make the migration to the new system as easy as possible and not introduce more complexity or pain into the process. If senior management believes that sourcing, selecting, implementing and training for a new system is too difficult and time consuming they will often choose to do nothing because of the hassle and headaches involved.

The likelihood of approval and speed of implementation can be significantly increased by making the path as easy as possible.

Ask any vendors for a detailed rollout plan, including deliverables, who should be involved and total time involved. Include these details in your business case so that executives are confident that a well-structured project plan will be followed.

→ **Sample:** [click here](#) to see what is involved in a typical emPerform implementation.



5. What are the costs of changing?

This section should lay out in a clear format all the costs involved in the purchasing and implementation of the new appraisal software. This should include the man hours spent sourcing the right product and training for the new system.

Outline ALL costs associated with implementing a new system – including people's time and any possible future or ongoing costs.

1. **Preliminary project search** – includes man hours spent sourcing and reviewing different vendor proposals.
2. **Overall software package** – outline the overall cost, including ongoing license fees and renewals.
3. **Hardware required** – does the business need to purchase or allocate any special servers or network equipment? If so try to include an approximation of the costs.
4. **Implementation** – have an understanding of how many days will be required for implementation and the cost per day. There may be additional cost for training on usage of the software. Your preferred vendor will be able to give you this information.
 - **Internal resource** – indicate which departments would be involved e.g. HR for sourcing, implementation, learning and training others, IT for access to servers and troubleshooting. Estimate the hours involved for each department.
 - **Maintenance and support** – how much does the vendor charge for maintenance and support?
 - **Updates** – are there additional costs for software updates?

Why do this when we can do it for you? For assistance completing this section, contact emPerform at info@employee-performance.com and we would be glad to provide you with a detailed quote of immediate and ongoing costs.

6. What are the risks involved?

Here, it is important to highlight all the areas where you think you might experience problems. It is important to be honest, as you don't want these issues coming back to bite you at a later date. Risks may include:

- **Timescales**, can the software be implemented before the next appraisal period, and if not what are the consequences?
- Is the software **compatible** with the organizations current HR and business systems?
- Will current HR and business systems be **disrupted** by installation?
- Are there any **barriers** to internal adoption of a new system?
- Is there any other **technological risk**?



7. What resources are required?

When embarking on any project, it is important to understand what the critical success factors are. These may include the involvement of your HR Manager and IT Manager for X hours during the implementation period.

Calculate resource requirements over time for the project. The emPerform team would be more than happy to give you an estimate on the resources required for your particular implementation. Contact info@employee-performance.com

If you are unsure of your particular method of deployment, refer to the following resource: [To Host or not to Host: Choosing the Right Deployment Option for your Talent Management System](#)

Outline ALL alternatives available to help meet your needs – and then recommend a solution.

Resource	Details	Est. Time Required	Commitment:
I.T. manager	Initial assessment	2 hours	One-time
I.T. staff	Initial set-up, annual updates	4 hours	Semi-Annually
Director H.R.	Process Assessment	8 hours	One-time
Managers	Appraisal assessment, recommendations	2 hours	One-time
H.R. Manager/Administrator	Implementation, training, revision of forms for initial set up	5 days	One-time
Creation of future forms		2 hours	As needed
Reports	Scheduling reports	3 hours	One-time
Content	Assembling and input of content	8 hours	One-time

8. What are the alternatives?

Here you must state the alternatives available to the organization and their respective pros and cons.

- Status Quo: Continue with the current paper-based process
- Go down the route of developing an in-house appraisal system
- Purchase a different type of HR system e.g. payroll-based, HRIS etc.

9. What is the Financial Significance?

Generally, company expenditures are made to either make or save money. Expenditures such as an automated EPM System are generally termed Cost Avoidance (CA) purchases. Replacing incandescent light bulbs with fluorescent light bulbs costs more in the short term but will yield enough savings over time to justify the initial costs. The same mindset must be used when calculating the return and CA of an automated EPM system.

Presenting the somewhat non-tangible benefits of an automated EPM system is somewhat tricky, but not impossible. There is loads of data out there that shows the direct correlation between employee performance and business success. Also, your



own organization has historical records of the average costs spent maintaining/training/replacing/developing employees.

Numbers tell the best possible story. Do your best to outline the ROI of a new solution.

Calculating ROI (Return on Investment):

- *In order to provide accurate ROI, calculate all of the costs associated with the investment, including:*
- Initial upfront costs
- Ongoing licensing costs
- What kind of costs would you attribute to the sourcing
- How much of your time will the project consume?
- Give thought to any hidden costs

The next stage will be to estimate your returns:

Calculating the return on a CA expenditure requires you to calculate how long it will take to recoup the initial expenditure. In the light bulb example, energy-efficient bulbs might cost \$7 dollars each. If they use \$0.50 less energy a month, the bulbs pay for themselves in fourteen months. In order to properly calculate the returns, you must calculate the cost savings.

Calculate the Cost Savings:

List all of the tangible and non-tangible costs of automating your EPM system. This might be tricky considering you don't have the exact data to back up the figures. It is best to present the cost savings to include benchmark data and potential savings, for instance:

Item	Cost/Year
Physical Costs: Paper/Toner (appraisals)	(calculate cost of paper & toner used for printing appraisals and forms each year)
Time spent collecting appraisals	(hours spent per cycle)*(appraisal cycles per year)* (average hourly wage)
Time spent recording appraisal data	(hours spent per cycle)*(appraisal cycles per year)*(average hourly wage)
Cost of losing top talent	Studies show that employee turnover costs an organization 30-50% of the annual salary of entry-level employees, 150% of middle level employees, and up to 400% for specialized, high level employees. This figure is proven to be higher if an organization loses one of its top performing employees. To avoid these costs, an organization has to be able to properly identify and track employee performance and this is ideally done with an automated EPM system. If an organization can avoid losing one middle level employee, the costs of purchasing an EPM system would be justified!
Cost of Succession Gaps	An organization must spend considerable time and money finding and training senior leaders in the event that a successor has not been identified and groomed beforehand. These costs can be upwards of 400% of that senior leader's salary!
Cost of Low Engagement	Your organization might have accurate figures related to current levels of employee engagement. If this is so and the figures do not look good, this is a great argument for implementing an automated EPM system as



	<p>countless studies have revealed that there is a strong connection between employee engagement, customer satisfaction and corporate financial performance. If your organization does not have accurate figures related to current status of employee engagement then fear not – the lack of insight into the engagement status of your organization’s workforce is also a great argument for implementing an automated performance management system. An automated solution, such as emPerform, can provide you with accurate data and powerful reporting functionality needed to gauge and monitor employee engagement. Data from appraisals, self-assessments, surveys, 360 multi-rater reviews, and development initiatives can give your organization an accurate and timely understanding of employee engagement.</p>
Costs of poor compensation planning	<p>How many times have your managers gone above their compensation budget when deciding raises or bonuses? This is a figure that can be noted as a cost. Automated compensation management not only ties pay to performance, but it forces managers to stay within budget. Another important cost associated with poor compensation planning is the cost of losing employees due to poor compensation decisions.</p>
Lost output due to low performers.	<p>Some organizations might be lucky enough to have this data available; however, if it is not, industry benchmark data can be used to calculate this cost and an exciting proposal can be made to management and executives: an EPM system will enable this data to be visible for future use!</p>

Finally, you can perform some simple ROI calculations:

- In order to work out the return on investment you need to work out your current head count, average annual salary, cost of replacing an employee and employee turnover % (per annum).
- This will help you understand the payback period.

Make it easy for others to see HOW the plan will be rolled out.

10. What is the Plan of Execution and Future Roll-Out:

This section deals with the reality that in order to get an expenditure approved, it must be useful now and in the future. It is important that you outline how the EPM system will be used in the short term and your expected rollout of additional processes and functionality in the future. Executives might be happy to approve a system that automates appraisals now but might not be happy down the road when they have to spend a significant amount of money to add needed features such as succession planning, compensation management, 360° reviews, and ad-hoc reporting.

The fact that emPerform comes bundled with all of the above mentioned tools could be a huge selling point for you to use when building your business case. If you plan to make use of certain features now and then roll out additional functionality at a later date, you can outline that the extra functionality is already included and ready to be deployed at any time – without the need to purchase additional modules.



Also, we have found that having a sound EPM strategy outlined in advance tends to sway the vote in your favor as the decision makers can get a feel of the timeline and future expectations for the performance management system.

For instance:

Performance Management – process roll-out strategy for XX company	Expected Implementation
Implementation of EPM	Date
Training and import of data. IT integration.	Date
Integration with existing HRIS	Date
Appraisals – 2 forms	Date
Ad-Hoc Reporting Includes training and implantation of reporting tool and time needed to create and schedule reports.	Date
Appraisals – 2 forms Creation and implementation of two additional custom forms for X and Y department.	Date
360 Reviews Creation and execution of 360 reviews for X group	Date
Succession Manager Creation and execution of succession manager tool including the Nine-Box talent matrix.	Date
Compensation Manager Creation and execution of compensation manager tool to link pay to performance. Includes manager training for incorporating budget into compensation decisions.	Date

[Again, why do this yourself?](#) emPerform can help build a rollout plan custom to your organization’s needs and fill you in on all of the details related to implementation times and training needs.

11. Conclusion/Executive Summary

This section of the business case is one of the most important and should be given adequate thought. This section is your last chance to summarize your findings, plea your case and convince the decision makers that an EPM solution purchase will benefit the organization. This is also your chance to include calls to action to get the ball moving on the decision; for instance:

If you would like to see an automated EPM system in action, please let me know and I will schedule a custom demo with the vendor at your convenience. This will give you a chance to visualize how the system will work in our organization and will also allow you to see firsthand the myriad features and functionality that can be used by HR, managers, employees, and decision makers.

Be sure to indicate that you are available for clarification of any items and also indicate when you plan to follow up with them on the status.



What to do next?

- Follow up with the appropriate person
- Give them time...don't rush
- Stay on-top of price quotes and trends

Some other tips:

Ask IT and managers for their opinions and recommendations in advance of the business case – their support will only help sell your ideas.

Gather the right people needed for process planning & solution selection: We have found it useful to organize a sub-committee of managers who would sit in on the vendor selection process and weigh in on the business case. This is often helpful for expediting the decision making process as decision makers already have buy in from key organizational members and end-users. We also recommend the same group participate in the process planning stages of the solution rollout. After all, it is your managers who will make use of the system so their feedback and input might be varied but useful in rolling out a successful performance management strategy.

Submit in advance: Try to get the business case submitted at least 6 months before your appraisal cycle begins. This gives adequate time to hopefully get the system approved and implemented in time for appraisals.

Ask IT for their input: Getting IT buy-in in advance and including those details in the business case is a great idea. Business decision makers prefer to see that the system will integrate with current IT processes. This step will also allow to list any IT requirements and implementation steps in the business case.

Conclusion:

This paper was designed to give you the basics for building an internal business case for implementing an automated EPM system into your organization. Remember, the likelihood of approval and speed of implementation can be significantly increased by simplifying the decision making process as much as possible. If you have any questions or require assistance building your case, please contact emPerform info@employee-performance.com and our team of experts will be glad to assist you.

About emPerform: emPerform is an easy-to-use web-based employee performance management solution that automates vital employee performance management processes; including: online appraisals, goal management, 360 degree multi-rater reviews, online surveys, succession planning, compensation management, development plans, feedback, and reporting & analytics. Our experts can also help you put together your case!

Call us 1.877.711.0367

www.employee-performance.com