



Leaders in Online Appraisals

Involve Appraisal Business Case for Company X

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1. Business case summary

Company X is a UK based company with 850 employees.

The company currently conducts a paper based annual appraisal process that incorporates objective setting, personal development plans and competency reviews.

The findings of this business case show that Company X would benefit from utilising the Involve Appraisal system to run their appraisals in the following ways:

1. Reduce the time spent completing the process by **50.6%**
2. Reduce the cost of the process by **48.1%**
3. Free up L&D to identify real-time training and development needs inline with organisation strategy, ensuring no wasted training spend
4. Increase completion rates and staff engagement
5. Ensure alignment of activity to company strategy

2. Company X's current appraisal process

Company X uses a three year company strategy from which department objectives are set and all personal objectives aligned to.

Appraisals are used to:

- 1) Link objectives to strategy
- 2) Inform and support performance management
- 3) Identify developmental training requirements

Company X's current appraisal process begins in February when L&D send an email to all employees notifying them to prepare for the annual review and for the Managers to book a date for the review meeting.

Prior to the review meeting each Manager spends on average 2 hours preparing for an appraisal. This time is required because information relating to the Employee's performance is dispersed and notes need to be written and supporting evidence found.

The review meeting is then scheduled to take place in March/April with a recommendation of a minimum of 45 minutes per meeting. In practice, each review meeting usually lasts about 2 hours and includes the following areas:

- a) Review of past objectives and development
- b) Set new objectives
- c) Create personal development plans

After the meeting each Manager then types up the appraisal form and emails it to the Employee for them to add comments and sign before sending it back to the Manager.

The Manager then signs the form and sends to a Grandparent to counter sign. Once the Grandparent signs it the form is then sent to L&D where data is transferred to the HR system and training needs analysis begins.

3. What are the issues with the current process?

Company X's current appraisal process is based around a clear and easy to understand form. However, despite the simplicity, there are a number of issues with regards to how this process runs in practice. These issues have been identified as the following:

Poor completion rates

Company X's appraisal process begins in February with appraisal meetings taking place from March to June. However, the 2008 appraisals had only a 60% completion rate by October, a total period of 8 months.

Time consuming process

On average Managers spend 2 hours preparing for and then 2 hours typing up each appraisal report. This equates to 4 hours per appraisal or 3,400 hours for 850 appraisals. The L&D team also have to spend time chasing counter signatures and adding user comments post review meetings. This additional administration costs time and money and delays the analysis of data.

Non-alignment of activity

Despite the intention of the process, the majority of individual objectives are not aligned to the organisation's three year strategy as Managers set objectives with their reports before they know what the departmental objectives are.

Poor data output

The current appraisal process requires administrators to input data from the appraisal form into an HR System and then export this data into an Excel spreadsheet for manipulation.

By the time L&D have a) received enough completed appraisal forms and b) managed to extract the relevant data from employees' development plans, 3-4 months have passed and the information is no longer relevant!

It is believed that the amount of time spent on the current process and lack of alignment of activity has resulted in poor completion rates, inadequate collection of data, disengagement of staff and unmonitored cost increases, both in terms of man hours and wasted expenditure.

4. How would Involve Appraisals improve this process?

The Involve Appraisal system offers organisations a simple and cost effective way to improve existing appraisal processes and reap the benefits of real-time individual and aggregated data. Our web-based system utilises common sense workflows to reduce administration and provide a user friendly interface.

Improve completion rates

Involve Appraisal is designed by HR professionals to ensure it is simple and functional. This ease of use enhances the number of completed appraisals, increases staff interaction and gives users control of their appraisal process.

Ensure alignment of activity

Involve Appraisal can be set-up so that all individual objectives must be linked to at least one departmental objective. This ensures alignment of activity and tangibly links the appraisal process to the organisation's strategic plan.

Increase visibility

Involve Appraisal generates a range of real-time reports including; year on year comparison reports of behavioural assessments, aggregated data of group or team performance, real-time team performance to assist in talent management and succession planning and many more.

Reduce administrative workload

The Involve Appraisal system dramatically reduces the time spent completing and administrating an appraisal processes through the seamless integration of data between objectives, assessments and development plans and powerful analytical capabilities.

Reduce length of process

The Involve Appraisal system utilises automated communications to invite and remind users to complete various stages of the appraisal process. This prompting function along with real-time data feeds ensures the process is kept to specific pre-defined timelines. On average 850 users would be expected to complete the review and set-up phase of the cycle within a two month window. The online system also allows for Managers and Employees to simultaneously complete sections of the process, without the need to waste time waiting for the return of a paper form.

5. What are the costs associated with the current process?

To establish the costs associated with Company X's current appraisal process we calculated the amount of time spent on appraisals by a) Managers, b) Employees and c) L&D. We then used the average hourly wage for Managers and Employees to calculate the cost of this time.

Finally, we added the cost of printing each appraisal form to the total. Our findings are outlined below with further detail of the calculations in the appendix.

Managers – 5,100 hours

On average each appraisal requires Managers to spend 2 hours preparation, 2 hours in the meeting and 2 hours typing up the report. In total this is 6 hours per appraisal and therefore, 850 appraisals take on average 850×6 hours = 5,100 hours of Managers' time to complete.

Employees – 5,100 hours

On average each appraisal requires Employees to spend 2 hours preparation, 2 hours in the meeting and 2 hours adding notes. In total this is 6 hours per appraisal and therefore, 850 appraisals take on average 850×6 hours = 5,100 hours of Employees' time to complete.

General administration – 176 hours

The L&D department is responsible for sending emails, printing forms and chasing appraisals. It is calculated that each year L&D spend an estimated 36 hours completing this process.

L&D also have to input the data into the HR system and produce reports. It is calculated that L&D spend 140 hours per year completing this process.

Total time spent by L&D on appraisals = 176 hours.

Total time spent – 10,376 hours

In total the estimated time required to appraise 850 employees via Company X's current paper based process = 10,376 hours.

Based on 10,376 hours multiplied by Company X average hourly salaries, the estimated cost of running the current paper based process = **£151,054.78** per year.

6. How much time would the Involve Appraisal system save Company X?

On average the Involve Appraisal system requires Employees and Managers to spend a maximum of one hour preparation time prior to the review meeting. For 850 appraisals this time = $850 \times 2 \text{ hours} = 1,700 \text{ hours}$.

Involve recommends that the annual review meeting last in total 1-2 hours and so for 850 appraisals this = $850 \times 2 \text{ hours} \times 2 \text{ participants} = 3,400 \text{ hours}$.

Managers – 2,550 hours

On average the Involve Appraisal system requires Managers to spend a maximum of one hour preparation time prior to the review meeting. For 850 appraisals this time = $850 \times 1 \text{ hour} = 850 \text{ hours}$.

Involve recommends that the annual review meeting lasts in total 1-2 hours and so for the Managers 850 appraisals = $850 \times 2 \text{ hours} = 1,700 \text{ hours}$

Employees - 2,550 hours

On average the Involve Appraisal system requires Employees to spend a maximum of one hour preparation time prior to the review meeting. For Employees 850 appraisals = $850 \times 1 \text{ hour} = 850 \text{ hours}$.

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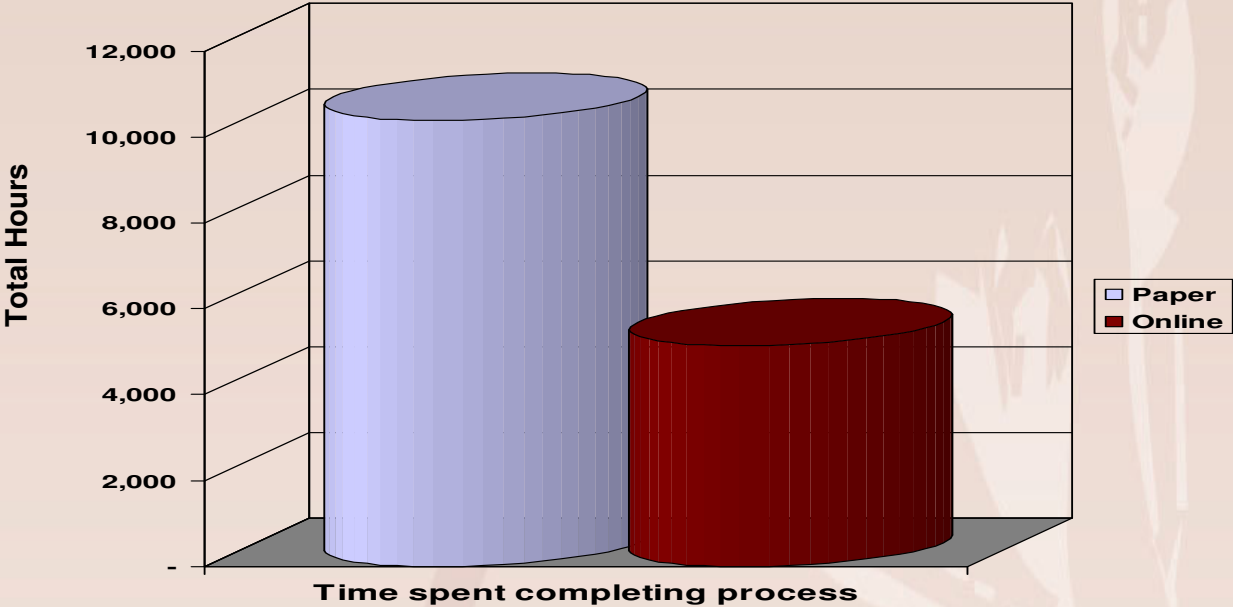
General administration – 25 hours

Administrative time required for chasing appraisals via the online system is minimal with an estimate of 25 hours for the 850 appraisals.

Total time spent – 5,125 hours

In total the online appraisal process for 850 Employees is estimated at requiring 2,550 hours for Managers, 2,550 hours for Employees and 25 hours for administrators to complete = a total of 5,125 hours compared to 10,376 hours for the paper based process.

The graph below highlights the time spent completing the current paper based process compared to time needed to complete the process using the Involve online system



The Involve Appraisal system would save Company X 5,251 hours. Thus, reducing the amount of time spent completing the appraisal process by **50.6%**.

7. How much money would Involve Appraisal save Company X?

The cost of the Involve Appraisal system for Company X is based on a Company Software Licence Fee of £15,000 with an annual maintenance fee of £3,000 payable from year two.

The actual cost of the system is made up of a) the Software cost and b) the cost of process completion:

- a) Software cost: The cost of Involve Appraisal company software licence = £15,000 with an annual maintenance fee of £3,000.
- a) Process cost: Completing the process would require a total of 5,125 hours. The cost of this to the company is estimated at £74,373

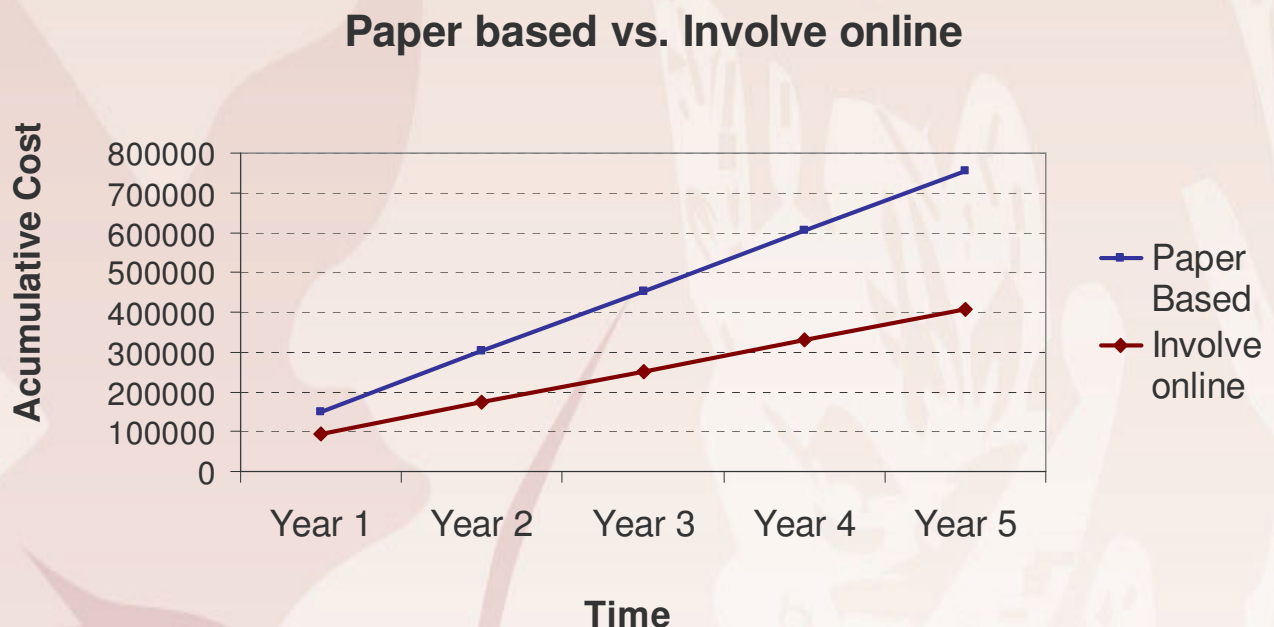
The total costs of the online process:

Year 1 – £89,373 (£15,000 Software + £ 74,373 process cost)

Year 2 onwards – £77,373 (£3,000 Maintenance + £74,373 process cost).

Compared to the current process (£151,054.78) this would save **41.0%** in Year 1 (£61,681.78) and **48.8%** from Year 2 onwards (£73,681.78)

The graph below shows the accumulative cost of running the current paper based process compared to the Involve online system.



As well as saving time and money, Involve online appraisals would assist Company X with alignment of objectives to company strategy, engagement of staff with the appraisal process, access to real-time data for training and development requirements and increased transparency of process.

Included in the figures are the financial and environmental savings due to reduced printing of appraisal forms. Company X's current appraisal process is estimated to require some 13,000 pages to be printed, with the figure more realistically 15,000 plus.

With Involve online appraisals the need for printing is dramatically reduced with the potential for companies to adopt a paper free appraisal process.

Please note that all pricing submitted within this document is budgetary and is subject to change based upon the exact and final requirements of Company X. All pricing is exclusive of VAT and is valid for 90 days from the date of document issue.

8. The future

What would happen if Company X scrapped appraisals completely?

- a) No data to ensure relevant expenditure on training and development.
- b) Increased risk of continued poor performance in undetected areas.
- c) Lower morale as Employees would be unsure of how they contribute to the organisation.
- d) High risk of increased staff turnover and loss of ambitious and highly efficient staff wanting career progression, mentoring and development.
- e) Increased risk of wasted time and resources spent on unaligned actions.

What would happen if Company X continued with the current process?

- a) Completion rates are likely to continue to fall as people become aware that the process is unable to be monitored effectively and Employees and Managers lose interest.
- b) The process becomes more casual, and will likely be used mainly for those Managers that use the appraisal to keep up to date with their staff.
- c) No information available to HR & L&D about Managers' ability to manage and develop their people. Risk of ongoing poor management that can result in low Employee moral, lack of commitment and productivity.
- d) Wasted cost of inefficient data gathering to driving L&D.

What would happen if Company X implemented Involve online appraisals?

- a) Ability to reinforce an appraisal process and reduce admin for its users.
- b) Enhance visibility both for the Employee, Manager and the organisation, allowing for greater ownership, more frequent improvement interventions, efficient decision making and follow-up actions.
- c) Ensures that all appraisal information is used most effectively at all times for all involved. This visibility itself will indicate the value of the appraisal cycle and raise the importance for all.
- d) Reduce cost of time wasted.

9. Why Involve

Our Services

- ✓ We deliver tangible business benefits to organisations seeking to align their operations and improve the effectiveness of their people
- ✓ We provide simple, flexible and cost effective solutions with **no** hidden costs
- ✓ We are able to provide a dedicated, personalised service to our clients, enabling us to deliver to the highest of standards in our industry.

Our Expertise

- ✓ Involve has in-depth industry expertise in appraisals and performance management through providing core services and solutions to global organisations
- ✓ Our expertise in change management and coaching provides additional support and know-how available to all our clients through our Account Management activity
- ✓ Our consultants have vast experience in providing consultancy to blue chip organisations and have backgrounds working within the top 5 global consultancies.

Our Accessibility

- ✓ The Involve team are highly accessible and focused on the quality of delivery. When you work with us, you will have a dedicated Account Manager who will understand every aspect of your requirements and solution and be on hand to provide advice and support.

Our Dedication

- ✓ We pride ourselves in our level of commitment, dedication and care that exceeds many of the capabilities of larger competitors.

Our Approach

We approach Performance Management with three different areas of expertise: consultancy, programme management and IT. This means that our IT applications are based on what is required as opposed to IT for its own sake. From our experience of assisting organisations to implement performance management initiatives, we have found that software alone rarely provides a solution. It is the practical 'why' and 'how' the system is to be used that delivers value and results.

Over the past 6 years we have developed a range of intelligent software products that underpin business operations without demanding that you dismantle your way of doing things. They can compliment each other as part of The Involve Suite or work as stand alone applications tailored to meet your requirements and integrate with your existing systems.

All our products are web based applications using Microsoft.Net technology and Microsoft SQL database. Our applications require no installation procedures and can be accessed at anytime from anywhere via the Internet.



10. Contact Details

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