



**Head
Light**

Justifying spend in hard times: measuring Return on Investment for 360 and Performance Reviews

Talent Cloud®. Breakthrough software. Raise expectations.



Contents

Contents	2
Introduction	3
<i>About the Respondents</i>	3
Executive summary	4
The state of play: the use of 360 feedback and performance review within organisations	5
Making a business case for spend	6
<i>The requirement of a business case differs across organisations</i>	6
<i>... and this requirement (or not) looks set to continue</i>	7
Return on Investment (ROI)	10
<i>Less than one fifth have calculated an ROI figure – although a third of respondents intend to</i>	10
<i>What is included in the ROI calculation?</i>	10
<i>When is pay-back made?</i>	12
The ups and downs of moving online	12
<i>Moving to an online 360 platform reduces administration time in 77% of organisations – and increases time spent on development planning</i>	12
Benefits reported since moving online for performance review	14
<i>Benefits reported since moving online for 360 review</i>	15
Off-line processes and systems: the downsides	17
Next steps	20
About Head Light	20

Introduction

With economic uncertainty comes the need for greater scrutiny of spend and examination of return of any investment. But how does this apply to areas of talent management spend?

Head Light, the developer of the award-winning online Talent® portfolio, works with customers across all sectors and areas within the talent management arena. Towards the end of 2012 following questions from customers about how to best demonstrate the value effective talent management can bring, we decided to survey the HR and Learning & Development decision makers with whom we communicate regularly.

We chose to focus our research on two of the most widely-used talent activities: 360 feedback and performance review, asking these HR and L&D decision makers and practitioners to complete our online survey anonymously during December 2012 and January 2013.

We wanted to explore how and to what extent, online spend on these key talent management activities was justified. We looked at:

The requirement of a business case – and what is included in this business case;

When and how the return on investment is calculated;

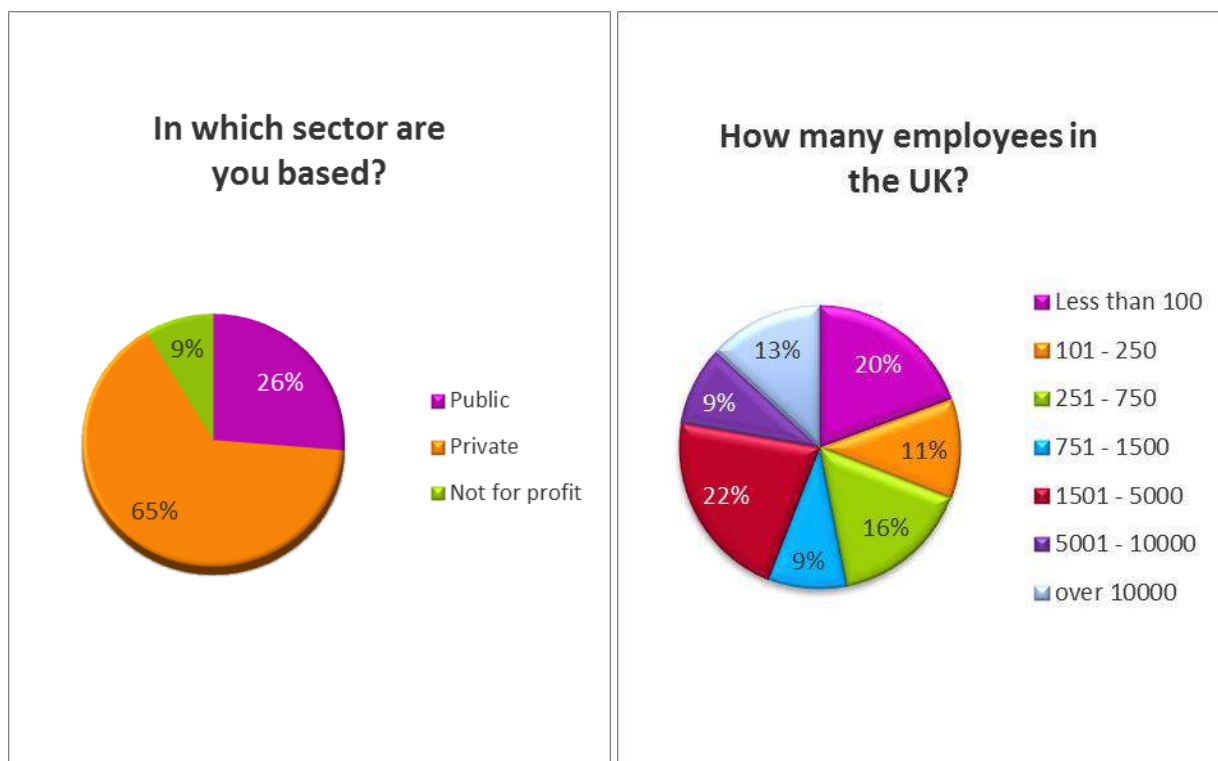
The benefits observed from the move to online review;

The perceived downsides to 360 and performance review from those using off-line processes.

About the Respondents

The survey was anonymous although should the respondent wished to be entered into a prize draw, a contact email address needed to be supplied.

65% of the respondents of the survey were based in the private sector, with a spread of organisational size.



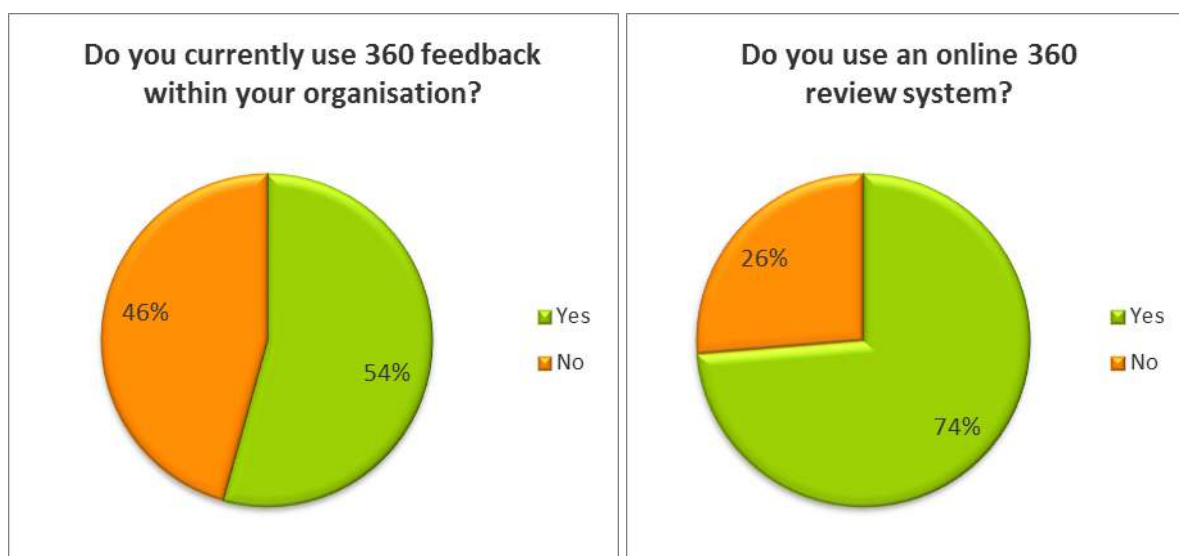
Executive summary

- Performance review seems more common place within organisations than 360 but is less likely to be managed online.
- The majority of businesses do not require a business case to be developed in order to invest in an online 360 or performance review system – and there is no single model for what is included within this business case.
- There seems to be an interest in the writing of a business case even when not required suggesting an appetite in the gathering of information and a benchmarking of current and planned activity.
- Whilst no benchmark of current processes is included in around one third of online 360 business cases, estimations of HR time spent on the administration and project management of such processes appear in over one third of business cases.
- There is a greater emphasis on, and estimation of, line manager time spent on performance review for the business case of online performance review.
- ROI is looked at in one fifth of online implementations – although a further one third of respondents intend to calculate this at some time in the future.
- Where the ROI is calculated for the move to online 360 implementations, time and cost of training is always included, over three quarters include time spent by HR and the costs of developing or purchasing an IT system is included in less than half of calculations.
- Where the ROI is calculated for the move online for performance review, three quarters include a measurement of the time spent by the line manager and only one third look at the associated IT costs.
- Pay back for either an online 360 system or an online performance review system is within one year for nearly half of respondents – and over three quarters see pay back within two years for 360 and over 90% within two years for performance review.
- Deploying an online 360 system reduces admin in over three quarters of those who have made this move – and increased the time spent on development planning in nearly one half of these organisations.
- There is little change in the frequency of the performance review meetings by moving online – or in the time taken in these sessions.
- The benefits from moving online for performance reviews include better goal alignment, and an increase in objectives achieved, more readily tackled performance issues and more relevant development planning.
- The benefits witnessed by those who have moved online for 360 review include a better understanding by individuals of their own strengths and development needs, a stronger commitment to the development plan, an easier comparison of people across the organisation and faster analytics.
- The downsides of 360 and performance reviews as commented upon by those using off-line processes, include issues of quality of feedback, the time taken, too much paperwork and the difficulty to monitor performance across the organisation.
- It is suggested that many of these downsides can be minimised by adopting the right online talent management system.

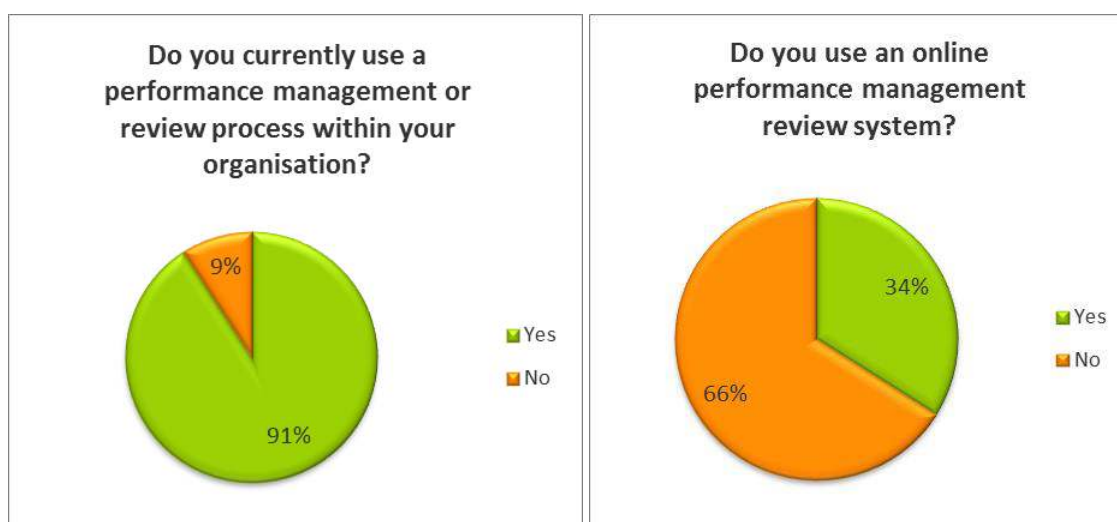
The state of play: the use of 360 feedback and performance review within organisations

Performance review is more widely used than 360 review within organisations – although 360s are typically managed online to a greater extent than performance review

Of the 175 people who completed and submitted the Head Light Justifying spend in hard times: measuring Return on Investment for 360 and Performance Reviews survey, 54% reported that they currently use the 360 technique within their organisation – and 74% of these, use an online system.



Of those now using an online 360 system, 31% have moved from a paper-based or other system before moving online, whereas 73% of those now using performance reviews online, had already had an off-line process in place before deploying an online solution.



Performance review is more common than 360 amongst those completing the Head Light survey, with 91% having a performance review process in place although only 34% of these systems are online, the remaining being paper-based in part or in full.

Making a business case for spend

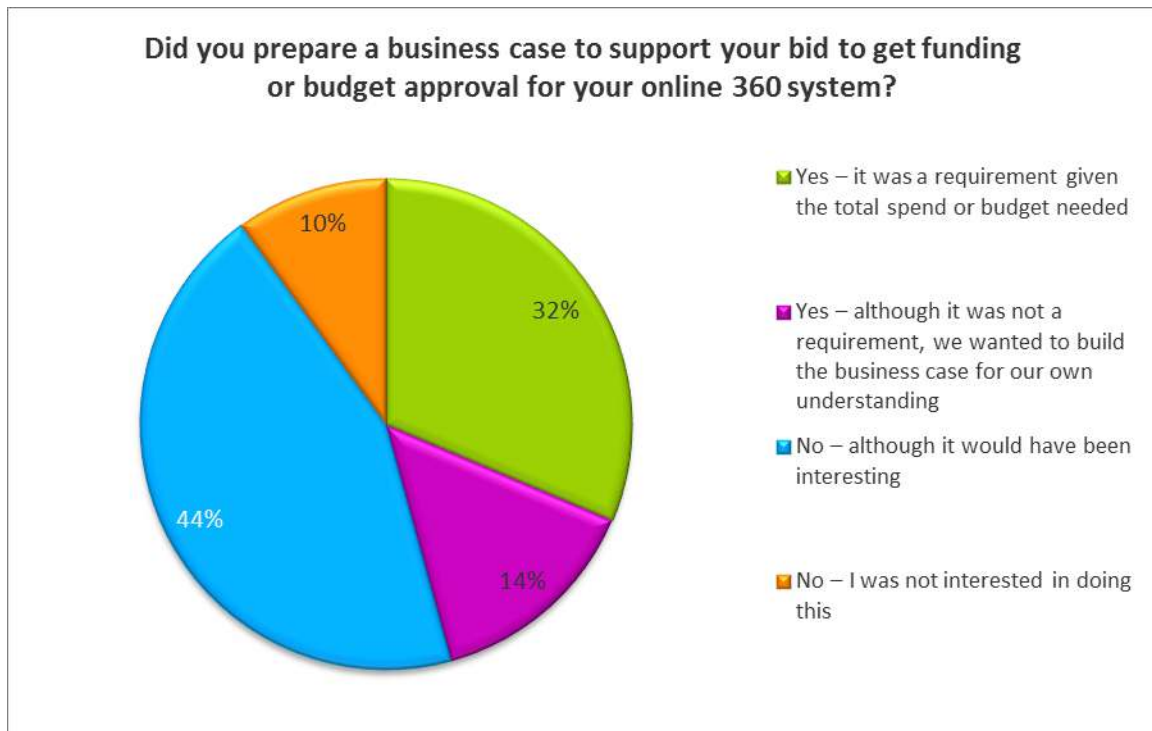
The requirement of a business case differs across organisations

Preparing a business case for an online 360 system is required in a third of organisations – and in a quarter of those purchasing a performance review system

Of those completing the survey who had migrated from a paper-based 360 system to an online system, 46% prepared a business case to support the bid to obtain the budget for investment and 14% of those that did this, did so even though it was not required of them.

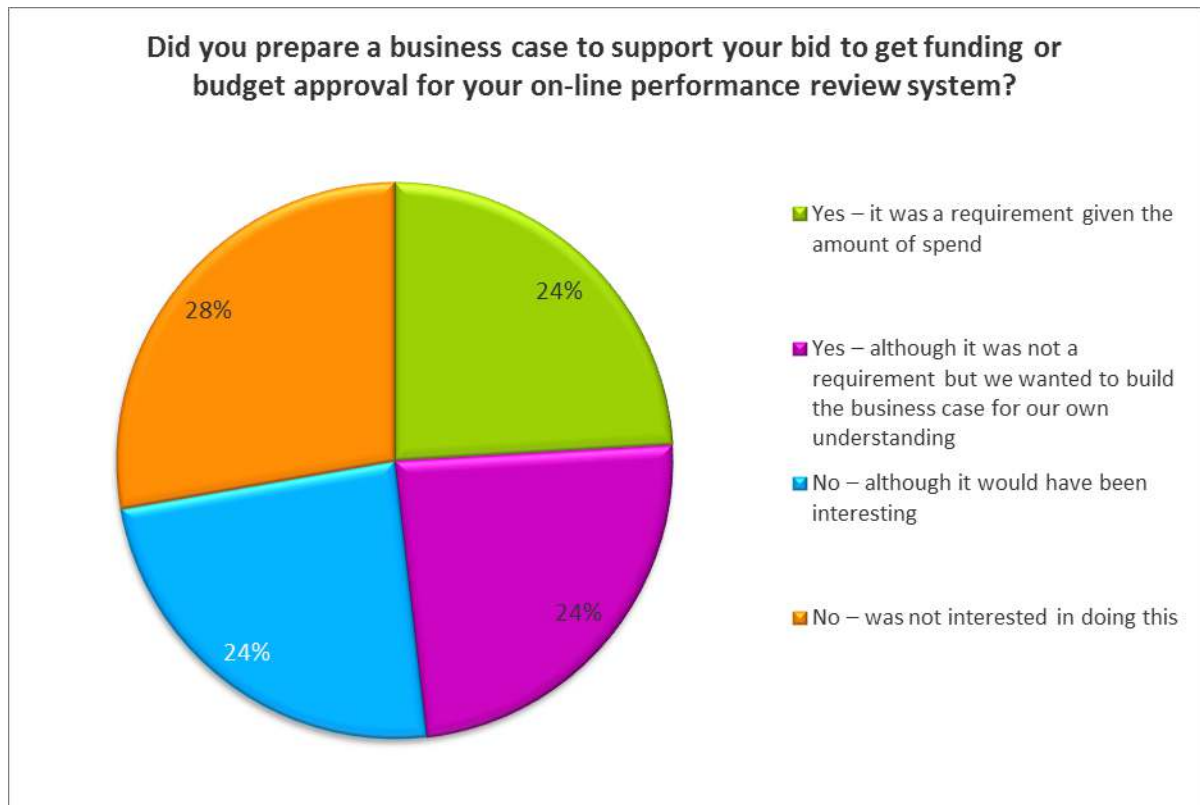
44% commented that whilst they did not prepare a business case, they thought it would have been interesting to go through this exercise.

The reasons for not preparing a business case focus mainly on there being no real need or having neither the time nor the resources to do this. Therefore it seems that whilst there may be a desire for going through the process of writing a business case, without the requirement of the business to do this, it does not take priority.



Around half of respondents (48%) submitted a business case to support expenditure for an online performance system – although only 24% were required to do so.

There seemed to be less interest in preparing such a business case if not required as only 24% (compared to 44%) viewed as an interesting exercise.



... and this requirement (or not) looks set to continue

40% of those who plan to purchase an online performance review system within in the next 3 years, say that they will not need to write business case.

This is quite different to those who say that they intend to purchase an online 360 system within the next three years as, with this group, over 70% report that they will need to prepare a business case.

There is no standard structure or content for a business case

One third of people include no benchmark of current processes within the 360 business case

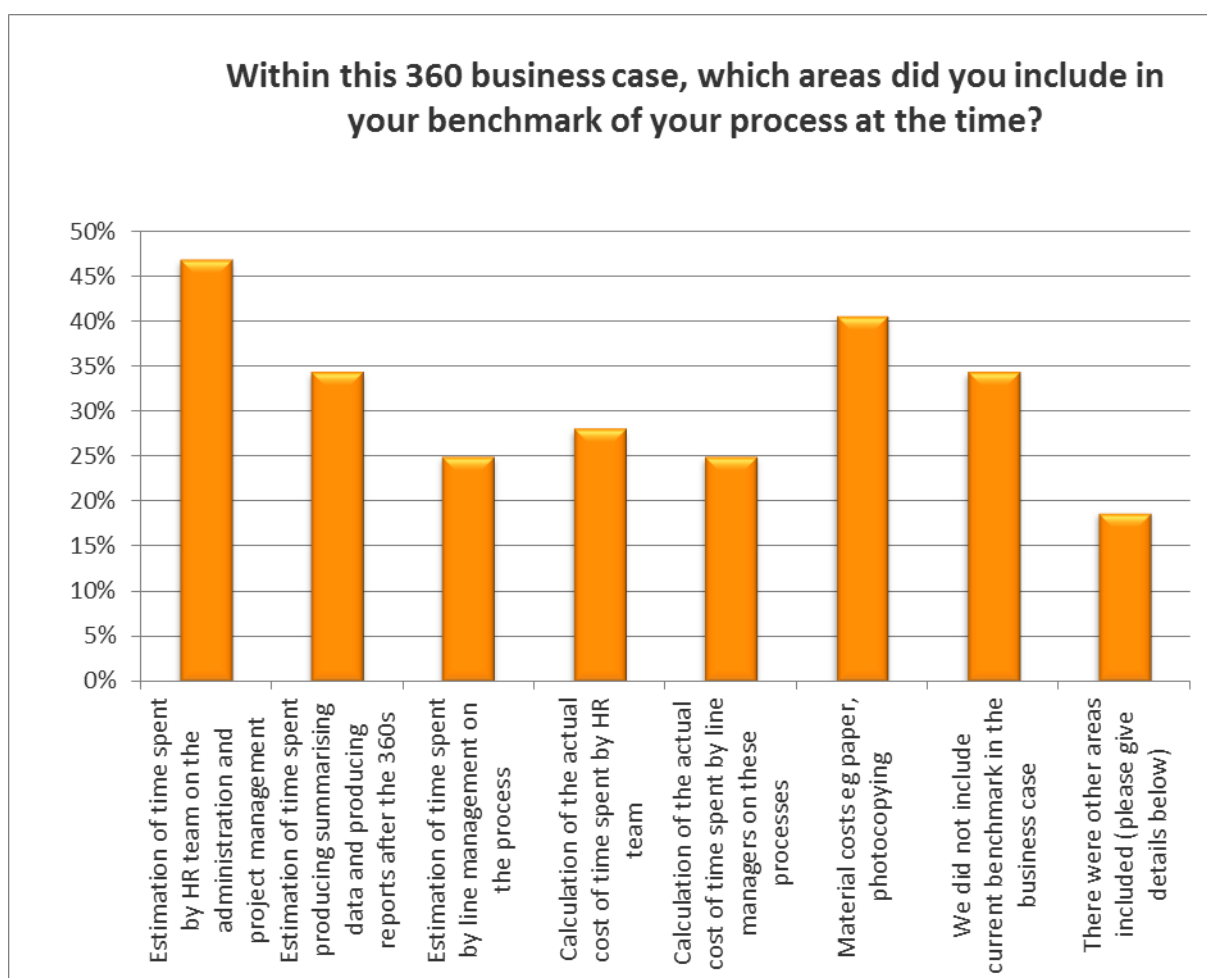
When asked what featured in this business case, the most common elements are:

- An estimation of the time spent by HR on the administration and project management (47% of respondents include this)
- Material costs eg paper, printing (41%)
- Estimation of time spent by HR on analysing the data (34%)

Interestingly, these were estimated times: 28% looking to include actual time taken by the HR professional. Furthermore, the time of line manager involvement (actual or estimated) is included in only 25% of business cases.

Other areas included in the benchmark include:

- Calculation of cost to the business of the loss of staff coupled with the additional costs of recruitment and training.
- Research statistics on the use of 360 in other organisations.
- The expected benefits for the employees of moving online.



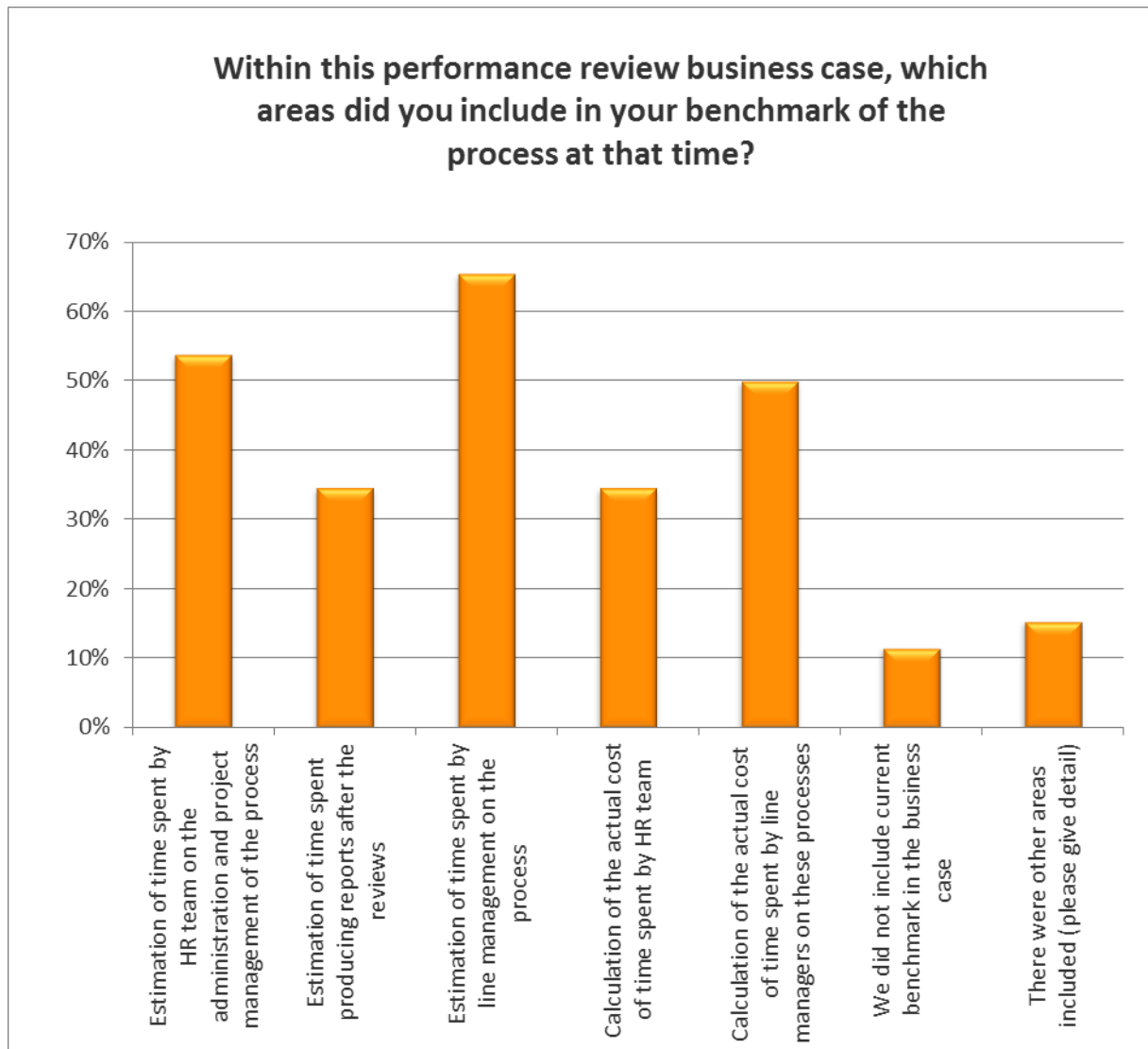
65% of business cases for performance review systems include an estimation of the line manager time investment – only 25% include this for a 360 system

For business cases developed for a performance review system, it is a similar picture to that of the 360 business case – although greater emphasis is placed on the line manager. 65% of business cases include an estimation of time spent by the line manager within the process – and 50% include a calculation of the actual cost of the time a line manager spends working within the performance review process.

The HR professional's time for administration and project management is included as an estimation in 54% of business cases – and only 35% include an estimation of the time spent synthesising data and creating reports.

Additional areas included are concerned with:

- The positive impact of **good performance management on employee engagement** figures and the impact on the business as a whole.
- **Expectation of Generation Y** employees.
- Likely **positive impact on employer of choice** status.
- Statement of **cost to the business if performance not managed**.



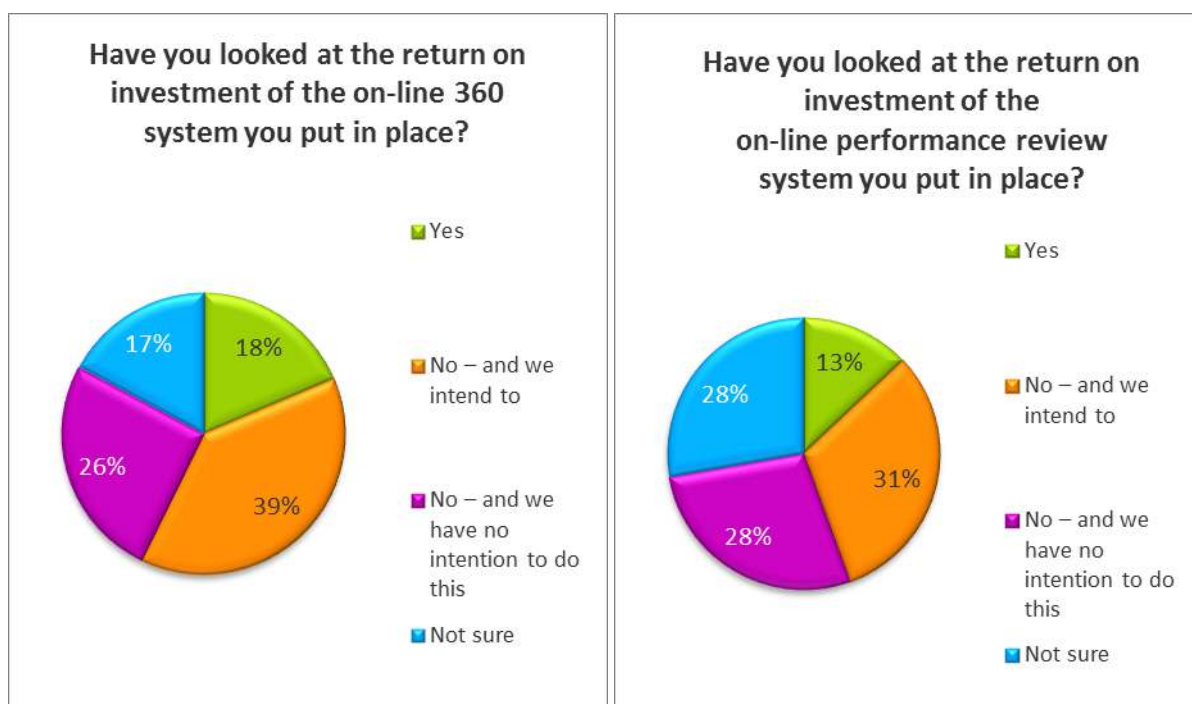
Return on Investment (ROI)

Less than one fifth have calculated an ROI figure – although a third of respondents intend to

18% of respondents to the survey stated that they had already looked at ROI for their online 360 system – and a further 39% intend to. It is a similar picture for those who have introduced online performance review systems, with 13% already having looked at ROI and 31% intending to.

A quarter of both of these talent activity respondents commented that they have no intention to look at the return on investment.

The most common reason cited for not looking at ROI to date is because it is thought to be too soon in the implementation – although 35% of those with online performance review systems report that they are not clear how they would go through this exercise. To this end, Head Light has developed a step-by-step guide to help calculate a return on investment figure.



What is included in the ROI calculation?

100% of those calculating an ROI for an online 360 system, look at the costs and time of training staff

100% of those who stated that they had carried out an ROI for their online 360 system had included the time and costs associated with the implementation of the system.

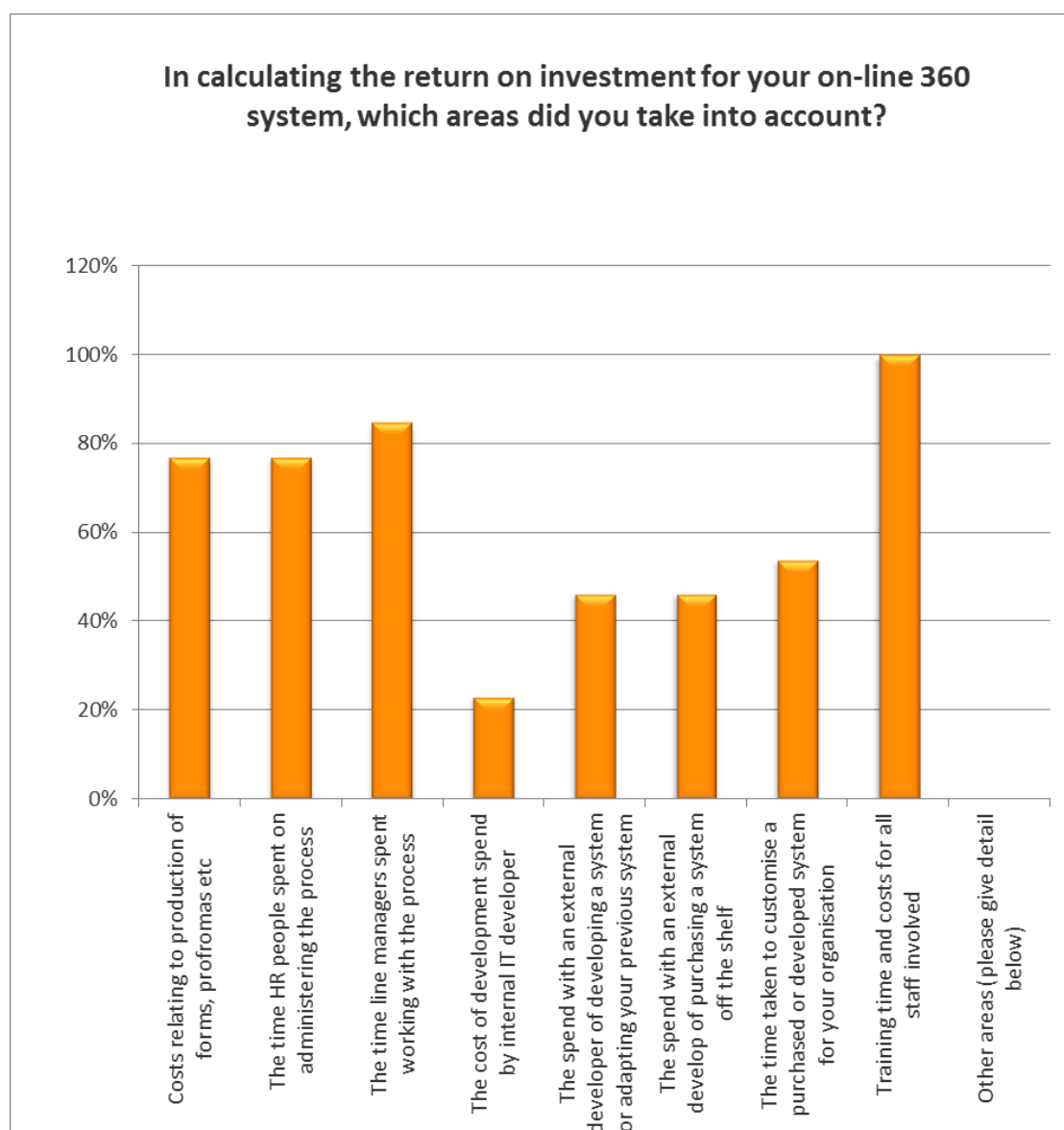
Time is an important factor of the ROI calculation for online 360

85% of respondents specifically looked at the time spent by line managers within the process given their role not only in completing reviews on their direct reports (as well as their own 360s) but also in the review feedback and discussion session. 77% of respondents included the time spent by HR in managing the process.

IT costs are included in less than half of ROI calculations for online 360 – and paper and copying costs in over three quarters of calculations

The costs of the IT spend – whether by an internal IT team, customising an external system or the external system itself – were included in 23%, 46% and 46% respectively of ROI calculations.

The costs of paper and copying – as a way of demonstrating savings – were included in 77% of ROI calculations.



When is pay-back made?

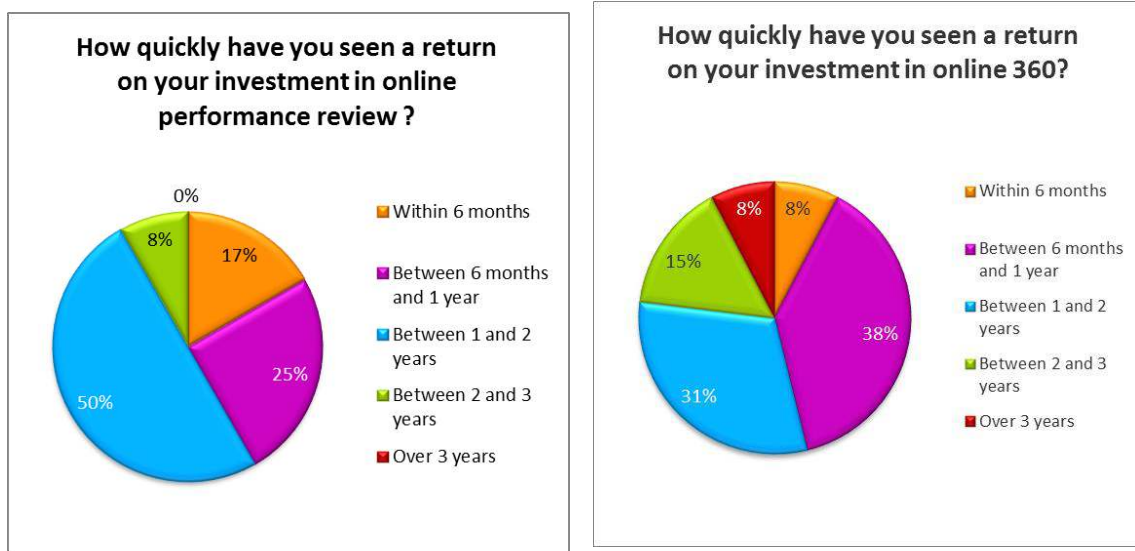
Nearly half of those moving to an online system see pay-back within a year – for both 360 and performance online systems

360

46% of those moving to an online 360 system see a return on investment within 12 months and over three-quarters (77%) within two years.

Performance

42% see a return on their investment within 12 months for online performance review systems. 92% see pay back within two years.



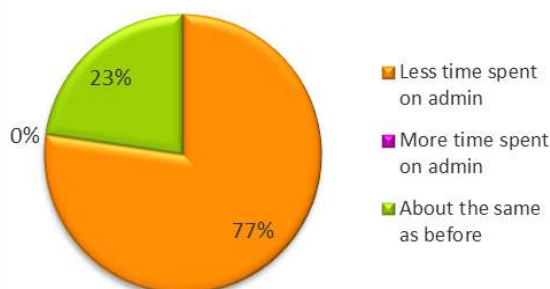
The ups and downs of moving online

We have seen that the time taken by processes forms an important element of the ROI calculation. What is the impact of moving to an online 360 or performance review on the time taken – and what are the other perceived benefits which may be measured?

Moving to an online 360 platform reduces administration time in 77% of organisations – and increases time spent on development planning

Over three quarters of those who have moved to an online platform for their 360 report a decrease in the amount of time spent on administration – and nearly half (46%) comment that more time is spent on development planning.

How has the time spent during the 360 degree review between manager and direct report changed since moving to an online system?



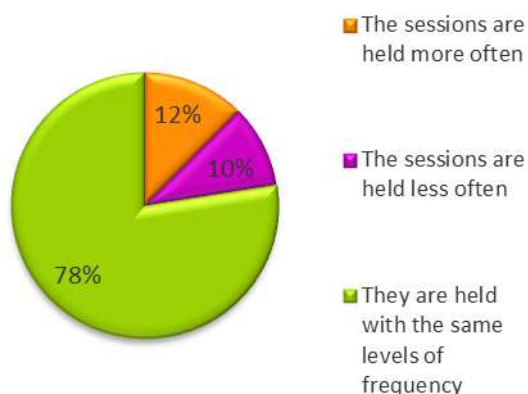
And is there a change in what is discussed during the review session since moving to an online system?



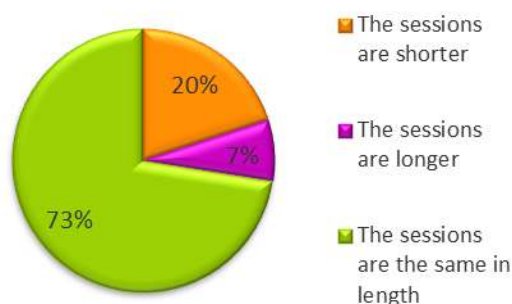
There is little change in the frequency of performance review meetings when moving online – and whilst, 20% say the sessions are shorter, three quarters report the sessions take the same time

With online performance reviews meetings taking place with the same frequency and more often than not, taking the same time, other benefits beyond time must be witnessed.

Has the frequency of the performance review between manager and direct report changed since moving to online performance review?



Has the duration of the performance review between manager and direct report changed since moving to online performance review?



Benefits reported since moving online for performance review

Better goal alignment and more objectives achieved

80% see there to be better goal alignment between the individual and those of the organisation and two thirds have witnessed a greater achievement of objectives.

Increase in employee engagement and managers becoming 'coaches'

Just under half report that there has been an increase in employee engagement and that managers have become better coaches since moving online.

Performance issues tackled more readily

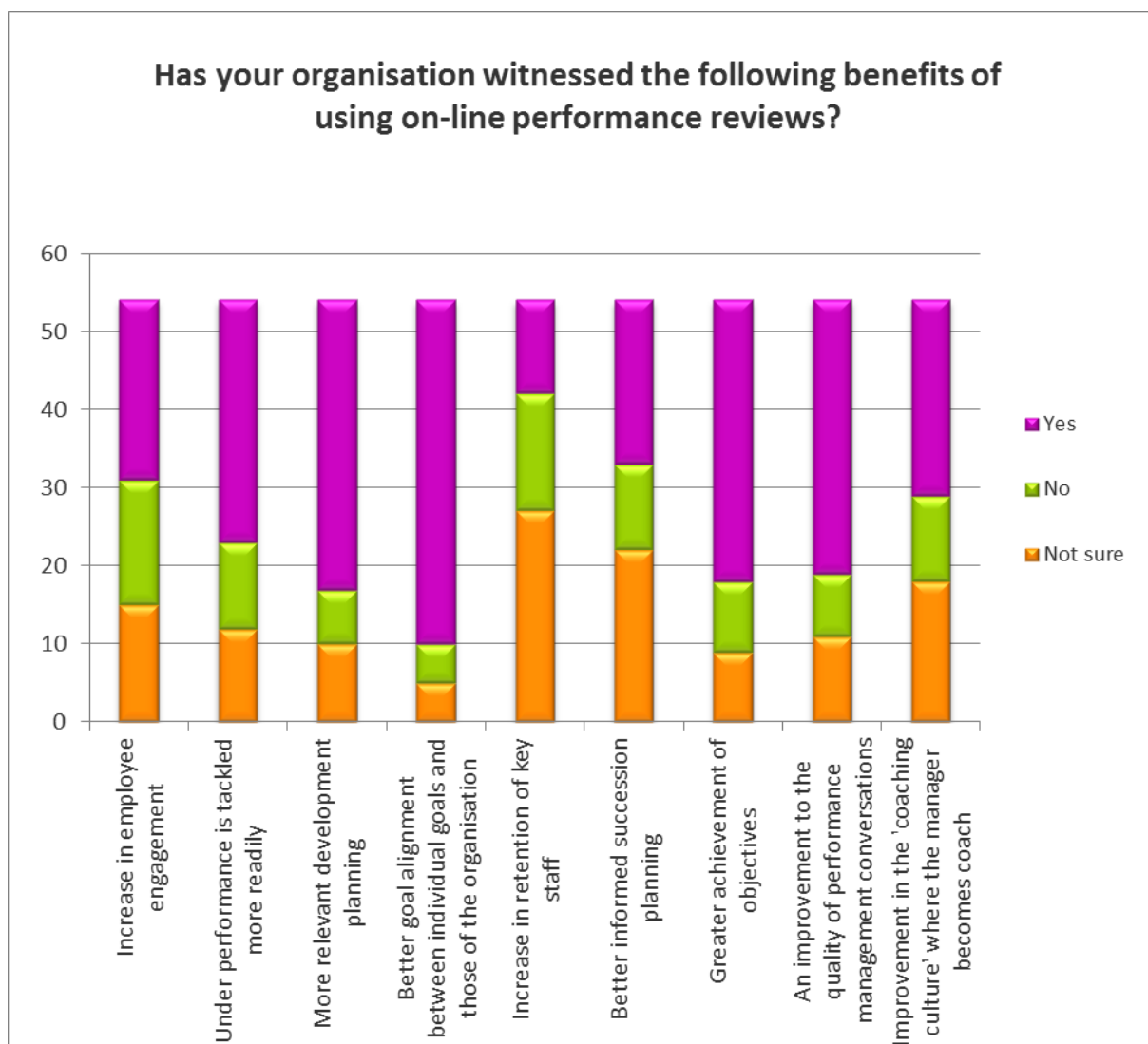
Just over half report that performance is tackled more readily and two thirds have seen an increase in the quality of performance.

More relevant development planning

Nearly 70% have witnessed development planning becoming more relevant than when an off-line system was used.

Little impact on succession planning or retention

However, there seems to be uncertainty as to whether moving online has improved succession planning or retaining key staff.



Benefits reported since moving online for 360 review

Better understanding by an individual of their strengths and development areas – and a stronger commitment to the development plan

91% of respondents stated that since moving online for 360 reviews, individuals have a better understanding of their own strengths and areas of development. Furthermore, 73% noted that they have witnessed a greater commitment to the development plan by the individual since moving online.

But the impact on engagement is not clear

Similar numbers of respondents commented that since introducing online 360 had increased employee engagement (44%) as to those who did not know (39%).

An increase in clarity of how corporate competencies and behaviours are demonstrated

74% report that since going online, there is a clearer demonstration of the corporate behaviours.

Easier comparison of people across the organisation – and faster analytics

55% stated that it is now more easy to compare people across departments and across the organisation than prior to having an online system. 60% of respondents say that the analytics are faster with the online system.

Impact on succession planning and high potential spotting

57% commented that it is easier to now identify those employees with high potential and 55% reported that succession planning was better informed. That said 20% commented that using an online 360 did not better inform succession planning.

It is not clear if there is an impact on the retention of key staff

Over half of respondents reported that they were not sure of the impact of online 360 on retention levels



Off-line processes and systems: the downsides

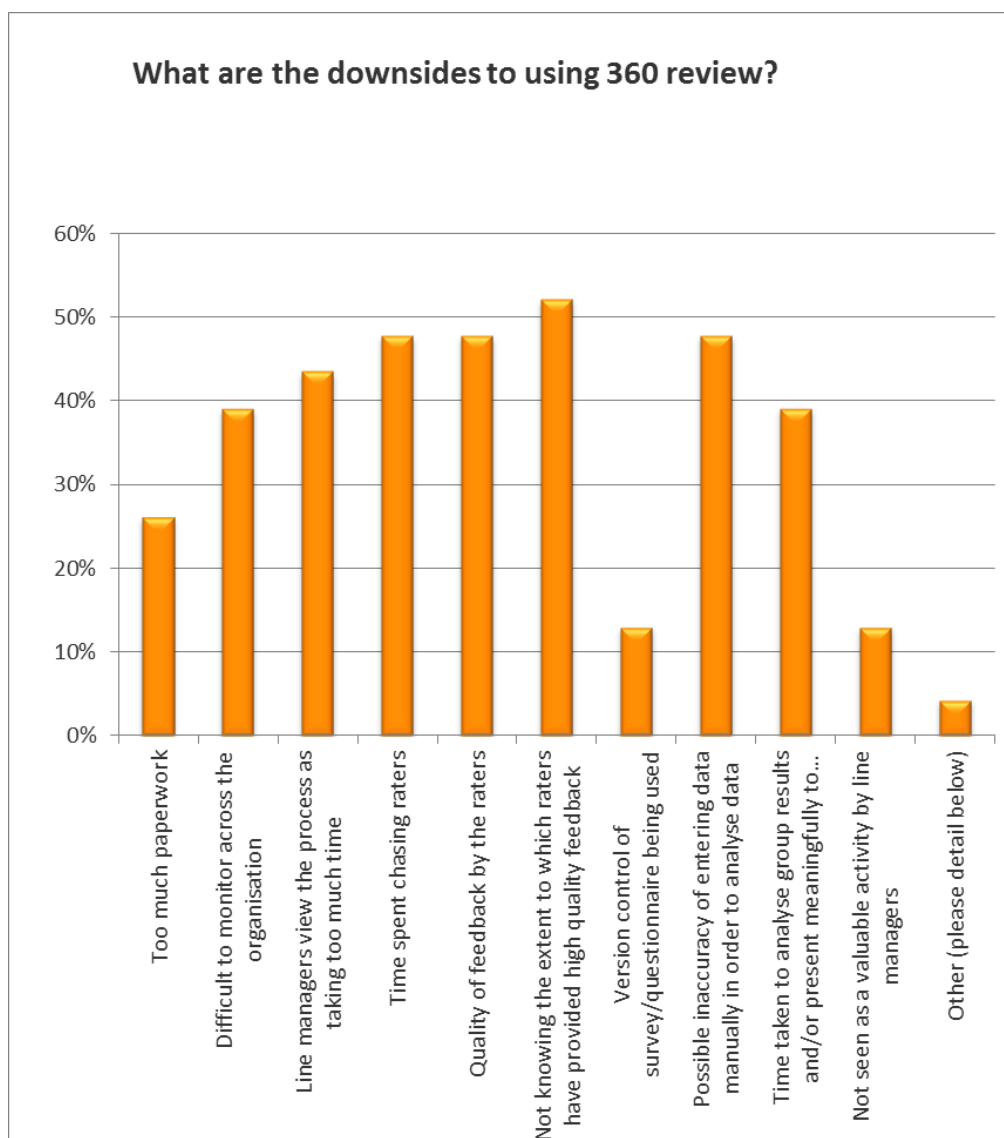
The downsides of off-line 360 focus on quality of feedback, logistical issues and the time spent on the process

The most cited downside for using 360 off-line is the lack of ability to know how high or low the quality of the feedback is that the raters are giving (52%). Similarly, the actual quality of the feedback received from the raters is cited by 48% as a key downside.

39% say that it is difficult to monitor the system across the organisation and this may add weight to the problem of version control (13%) and the possibility of inaccuracies of entering data manually into a system following completion via paper or through another route (48%) .

Time taken on the process – to analyse group results (39%), to chase and follow up raters (48%) – is an important factor. Line managers appear not to value the results (13%) and see the process as taking up too much time (43%).

And too much paperwork is seen by a quarter of off-line 360 users as being a criticism.

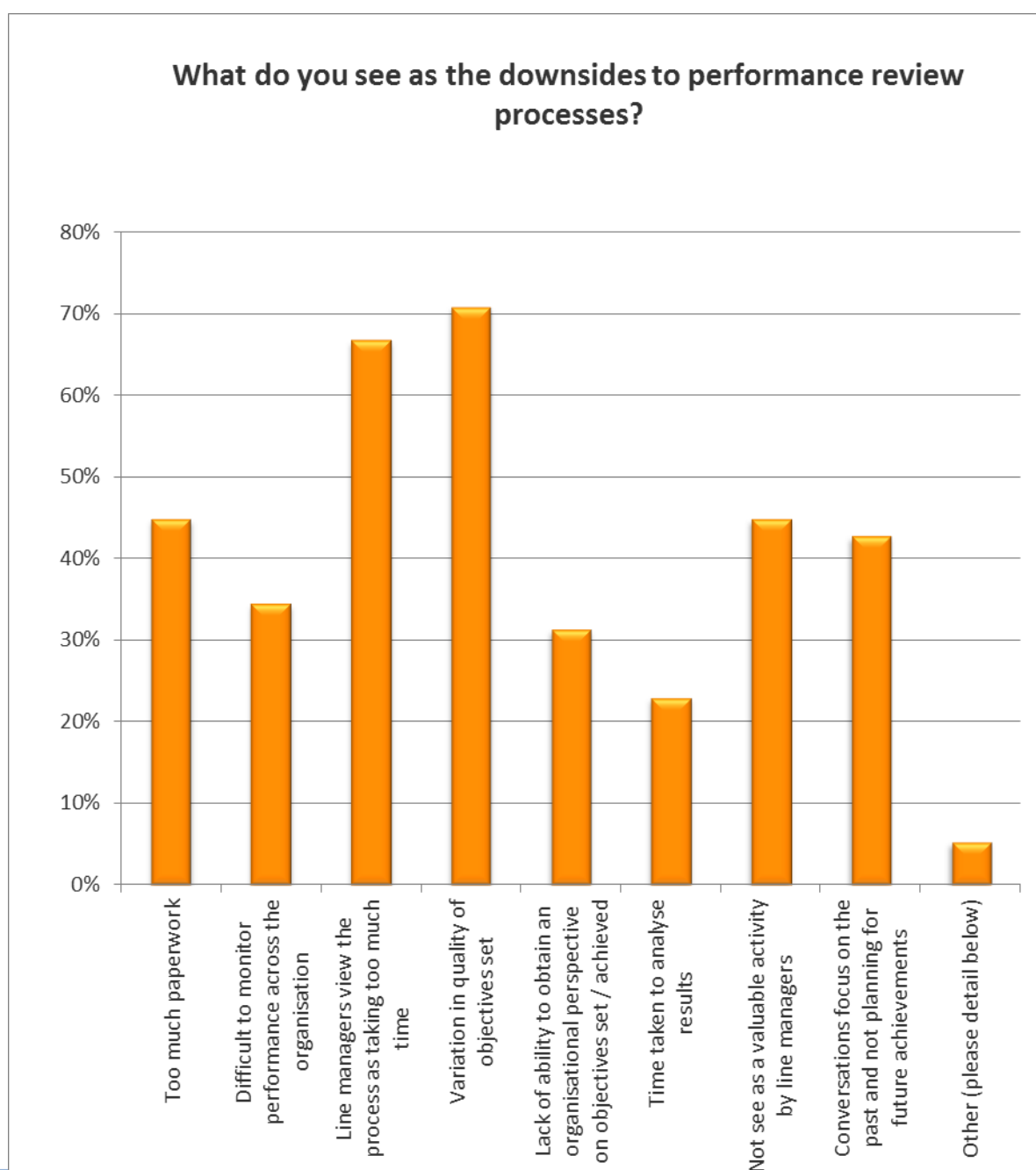


The downsides of off-line performance review focus on time, inconsistency and lack of organisational view

For those not yet using an online performance review system, the biggest criticisms of performance review seem to be concerning the variation in the quality of objectives set (71%) and the line managers viewing the process as taking too long (67%).

There seems to be a cluster of criticisms concerning the inefficiencies of the process – too much paperwork (45%), time taken to analyse results (23%), difficult to monitor performance across the organisation (34%), lack of ability to obtain an organisational perspective on the objectives set (31%)

There also seems to be some concern over the resulting value of the process - the line manager not seeing this as a valuable activity (45%) and that conversations focus on the past rather than the future objectives (43%).



Going forward

It seems clear that the benefits of using 360 and performance review online systems are easily articulated by those using such systems, although the measurement of the return on investment in such a system is not widely executed.

For this reason, Head Light is finalising a model to support its customers on calculating the ROI on the investment in talent management activities.

Whilst the downsides of both 360 and performance review have been highlighted in this survey by users of off-line processes, many of these criticisms can be addressed by moving online and the adoption of a system such as the Head Light Talent® platform.

The unknown quality of rater feedback within off-line 360 reviews

Recent developments in online 360 systems, such as that seen in Head Light's Talent 360 platform, allow a 'quality score' to be considered. This is a process by which the feedback provided by a rater is analysed via an algorithm and is highlighted as to whether this feedback 'quality' requires closer consideration before being included in the feedback report.

Obtaining the organisational view of 360

55% of those who have moved online for their 360 reviews, comment that it is now more easy to compare people across departments and across the organisation than prior to having an online system. 60% of respondents say that the analytics are faster with the online system, giving a real-time organisational view, without the need for lengthy manual data entry.

The length of time taken using off-line 360 processes

Analytics are faster (60%) with an online system and 77% of those who have moved online report that they now spend less time on administration. Innovations such as a 'chase' button to provide a prompt to those outstanding reviewers, help to speed up the process.

The problem of variation in objectives set across the organisation

An online system such as Talent Performance allows you to obtain a view of all objectives set across the organisation, department or team. Permissions can be set so that only relevant or appropriate users have access to this.

The lack of ability to get an organisational view with performance review

80% of those who have moved to an online system comment that there is a better goal alignment between the individual and those of the organisation and 67% have witnessed a greater achievement of objectives.

Line managers' view of performance review process taking too long

Whilst the time taken by a line manager in a review meeting and the frequency of the meetings seem to be the same whether on- or off-line, 46% have viewed that their line managers have become better coaches and thereby perhaps adding more value to the performance process.

Process inefficiencies of performance review

Just over half report that performance is tackled more readily and two thirds have seen an increase in the quality of performance and 68% have witnessed development planning becoming more relevant than when an off-line system was used.



Next steps

If you would like to know more about introducing a talent management software system, please get in touch.

About Head Light

Head Light is an award-winning talent management software and consulting firm that works with clients to define and implement impactful talent management strategies.

Talent Cloud® is our cloud-based portfolio of integrated talent management software tools designed for those who expect the maximum return from talent management processes. Our training and consulting services uniquely complement our breakthrough software that engages employees, managers and senior leaders in the selection, development and progression of people in their businesses.

Companies in the FTSE 350, public sector, large and small, from retailers to high tech innovators have all benefitted from our tools, techniques and expertise. Founded in 2004, we are headquartered in the UK.

Head Light has attained the ISO27001 standard for Information Security.
Certificate No 217613.





How do I...

transition to Continuous Performance Management

How do I...

introduce robust Succession Planning

How do I...

spot High Potentials and Future Leaders

How do I...

drive Engagement through Career Conversations and Development

How do I...

embed new values and improve culture

How do I...

conduct Skills Assessments and a Gap Analysis