

An Executive Study

How Four Organizations Turned HR Into a Powerful Strategic Driver

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INTRODUCTION

Growing global competition is placing extreme pressures on large and small organizations to optimize performance. These competitive forces in turn are raising expectations from customers, shareholders and employees. To remain competitive, today's organizations must:

- Focus employees on critical tasks and company goals
- Increase overall employee productivity
- Identify and reward top performers
- Invest in ongoing employee development
- Place the right person in the right job
- Ensure readiness to execute changing business strategies
- Be prepared for unexpected vacancies

Rapid change and a relentless pace demands that the Human Resources division of every organization move well beyond traditional employee benefit support and training. HR must now take an active and vital role in the performance management of the company's most valuable asset—its employees.

In the August 2005 issue of *Fast Company*, Deputy Editor Keith H. Hammonds reported, "In a knowledge economy, companies that have the best talent win . . . finding, nurturing and developing talent should be one of the most important tasks in a corporation."

Companies that create tight links between their strategies, plans and performance often experience a greater impact on all three.

The following stories cover the performance management experiences of four different companies in four different industries—from a smaller, 70-employee non-profit organization to a large manufacturing firm and medical facility managing thousands of workers. You'll learn how each implemented best practices in workforce performance management and significantly raised the value and strategic contribution of their organization's intellectual capital.

CASE STUDY I: MANUFACTURING

Company: PolyOne Corporation

Description: PolyOne Corporation, formed by the merger of Geon and M.A. Hanna, is a leading global and North American distribution company in thermoplastic compounds, specialty polymer formulations, color and additive systems, and thermoplastic resin distribution

Employees: 4,300 employees worldwide, 1,200 salaried employees in North America

Reported By: Jeff Hudson, manager, organizational development and training

Challenge: Institute a workforce performance management process across this global company that would align employee performance with corporate goals, accurately measure and reflect employee performance and drive more meaningful, productive and beneficial performance dialogue between managers and employees

PolyOne came into existence in late 2000, as a result of a merger between manufacturing powerhouses Geon and M.A. Hanna. From a business perspective, the merger would enable the new company to be a leading global supplier of polymer products. From an HR perspective, this union resulted in managers using different performance management procedures throughout the company to evaluate the company's 4,300 employees.

Prior to 2002, the merged companies did not have a consistent or structured performance management process. They had been using a paper-based system that was not generating or incenting participation from the majority of employees from the company. Employees had no real clarity as to what they were expected to do.

Using their paper-based reporting system, only 57% of employees were rated. So PolyOne's first goal in implementing a new process was to achieve as close to 100% employee participation as possible. With the help of executive mandates, the HR team was able to obtain ratings on a significantly larger number of employees. Performance visibility continued to be poor, however, because the ratings were inconsistent and brief, and there was still a huge disconnect between how people were being rated and how the company was performing. The next step, therefore, became to train managers on how to set appropriate, relevant goals, and more effectively appraise performance.

These two steps were especially key to the organization's growth and long-term success. The merger and a corresponding need to right-size the organization had resulted in often having five prospective workers for every two positions available. Accurate performance data tightly linked with overall corporate goals would be the only way to assess which employees were the strongest fit for the organization.

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It became clear that talent management technology was needed. PolyOne wanted an enterprise-wide system that would be easy to implement and that could make a positive impact on company productivity. In anticipation of the new process, PolyOne began by setting three primary implementation goals:

1. Enable two disparate organizations to work towards unified corporate objectives
2. Expose and bridge the gap between how highly employees were being rated and overall business performance
3. Drive managers and employees to engage in a more meaningful performance dialogue, moving away from strictly scale performance ratings to rich feedback

As the search began, PolyOne management also developed a list of criteria that they felt were essential for meeting their goals. These included:

- **Consistency:** Create guides within the system to ensure complete, effective ratings, helping build consistency between ratings entered by varying managers.
- **Compliance:** Choose a system that could check for and help maintain full regulatory compliance on all data entered.
- **Ease of use:** Eliminate as many barriers as possible to achieving full participation.
- **Adaptable to current processes:** Save time by not reinventing the rating system, which would require extensive time and training. Make a transition to a similar form to help achieve the performance management benefits faster.
- **Cost-effective:** Identify a solution that would enhance performance at an acceptable cost.

The system selected was SuccessFactors Workforce Performance Management Suite. It easily met the criteria established, and to-date has empowered PolyOne to help drive the company's performance and growth strategies by:

- Aligning strategic objectives across the organization, ensuring that all employees are working toward the same goals
- Rating employees on actual performance based on mutually agreed upon goals and competencies that are clearly defined and communicated
- Eliminating the disconnect between perceived and actual performance
- Maintaining completion rates at 100% and significantly improving the depth and quality of reviews
- Enabling views of performance review status in real time
- Eliminating the tracking problem caused by paper reporting
- Empowering managers to more easily conduct far richer employee dialog and feedback

“SuccessFactors has the functionality we needed. We developed content offline and entered it into the system. This was easy to do, even by non-technical people. I love the flexibility—the way this system allows you to change things to make them your own. I can adjust things myself without having to call somebody.

Also, our Professional Services consultant was flexible and good to work with; she wanted to meet our needs. She offered process and HR knowledge. She also helped with change management. I really felt like we were true partners.”

*Jeff Hudson, Manager,
Organizational Development and
Training, PolyOne Corporation*

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In a short period of time, SuccessFactors has enabled PolyOne to meet the company's initial goals of streamlining the company workforce performance management process for its 1,200 salaried employees in North America. The technology has eliminated confusion, engaged the entire workforce and is helping employee ratings more accurately reflect company performance.

Look for more information in 2006 as PolyOne continues to more closely link individual performance with company goals, motivating their employee base and utilizing SuccessFactors' technology to their maximum advantage.

CASE STUDY 2: MEDICAL

Company: Maine Medical Center

Description: Maine Medical Center, the largest hospital in Maine, is a non-profit, private corporation that is dedicated to maintaining and improving the health of the communities it serves by caring for the community, educating tomorrow's caregivers and researching new ways to provide care. The hospital has 606 licensed beds, and provides comprehensive inpatient services in all medical specialties. Centers of excellence are being developed in cancer care, heart care, children's services and other areas, building from existing excellence in multi-disciplinary services.

Employees: 5,600

Reported By: Jason Elliott, assistant vice president of Human Resources and Cathy Shallow, Manager of Human Resources Information Management

Challenge: Deliver on the corporate mission of providing excellence in healthcare by increasing hospital performance

The non-profit Maine Medical Center has three core missions:

1. Providing care to all who need it
2. Teaching medical students, resident physicians, nursing students and other healthcare professionals
3. Seeking to discover new ways to provide care through an active research program

The factor that weaves the pieces of their mission together is the performance of its people. Reviewing, monitoring, supporting and developing employee performance is key to achievement.

In pursuit of these missions and as part of a larger enterprise initiative to achieve corporate goals by leveraging cutting-edge technologies, the decision was made to find and implement a workforce performance management system.

Step One in the process was to overhaul an antiquated, manual employee performance review process. It included 300 forms of 11 pages each, that needed to be printed, collated and mailed across Maine Medical, then manually entered into the system. The overhaul involved identifying and defining 32,000 competencies for over 680 different staff positions. The IT group then developed a repository to hold this data as well as a newly developed review form.

Step Two was to establish criteria for implementing this new process and to determine what supporting technology would be required. The implementation criteria requirements were outlined to include:

- Reduce the administrative resources and costs required for the review process, while minimizing the number of common performance review errors (e.g., routing and data entry)
- Enable the hospital to more easily achieve regulation compliance by automating the workflow and storing forms online for quick audit access
- Minimize strain or impact on IT resources

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- Ensure that internal data can be easily loaded into the chosen performance technology without having to separately re-input the repository of information
- Deliver easy-to-use tools by mapping to the current positions and mimicking the exact look and feel of the newly revised form
- Provide a centralized repository for workforce data, including the 32,000 competencies

Maine Medical Center was also very sensitive to the needs of individual employees. Although the organization was striving to gain visibility into overall performance, build sustainable action plans and support desired standards, the implementation team recognized that the technology chosen needed to be powerful, yet easy to use. This was especially true for clinical personnel, who are responsible for sick patients and have many vital responsibilities throughout their day.

Maine Medical evaluated three different solutions and determined that SuccessFactors' Workforce Performance Management solution would best meet the present as well as future needs of their organization. Specifically, SuccessFactors' technology provided:

- Ease of use to enable quick adoption
- Fast implementation times to meet Maine Medical's appraisal schedule
- High-quality customer service, including sales executives' attention
- An on-demand delivery model that required minimal IT support
- An interface that was able to mimic the exact look and feel of the revised performance management form
- Easy integration with existing IT systems

With SuccessFactors workforce performance management technology in place, the Maine Medical HR team has increased the company's ability to review, monitor and support employee development throughout the entire organization. In just six months, SuccessFactors' technology has enabled the medical center to:

- Increase corporate visibility: Quick and easy reporting tools provide quick snapshots of the organizations with the ability to drill down and analyze more comprehensive information on the centers' entire performance and status
- Provide a smooth transition for employees to a brand new electronic process

“When you are managing the welfare of sick patients, there should be nothing more important than managing the performance of your workforce. SuccessFactors' technology has increased Maine Medical Center's ability to review, monitor and support employee performance and development, comply with federally mandated JCAHO standards and provide employees with an easy-to-use, valuable tool. All of this has been done without straining or significantly impacting our IT resources.”

*Jason Elliott, Assistant Vice
President Human Resources,
Maine Medical Center*

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- Reduce the resources required to support the entire evaluation process, and re-allocated these resources to other, equally important initiatives
- Provide on-demand accessibility into the organization: All employee reviews can now be accessed 24-7 from a Web browser facilitating on-time completion and full JCAHO compliance

With SuccessFactors technology in place, Maine Medical is confident that their focus on overall development and performance will result in the best execution on their mission of providing excellence in healthcare.

CASE STUDY 3: NONPROFIT

Company: Gordon and Betty Moore Foundation

Description: Gordon and Betty Moore Foundation was established in September 2000 to create positive outcomes for future generations. The foundation funds outcome-based grants and initiatives to achieve significant and measurable results in these principal areas of interest: global environmental conservation, science and higher education.

Employees: 70

Reported By: Saul Macias, Associate Director of Human Resources, Gordon and Betty Moore Foundation

Challenge: Encourage for-profit business rigor in a non-profit environment

In 2000, the Gordon and Betty Moore Foundation began a five year, human resource driven plan that included developing management skills, defining and implementing MBOs, and increasing employee visibility into the foundation's yearly goals. This initiative was part of the foundation's overall drive to apply a for-profit vigor to their not-for-profit business environment. During the third year of this process, however, the foundation's rapid growth overburdened their internally developed performance management review system so that it could no longer meet their needs.

The plan was to find capabilities that allowed the foundation to effectively implement a three-phase employee review process that encompassed objective setting, midyear self assessments, end-of-year assessments and reviews, as well as pay-for-performance.

After assessing available technologies, the Gordon and Betty Moore Foundation realized that the SuccessFactors' ASP-based technology delivered the ease of use, short implementation time and overall product capability that was needed. The technology in fact, enabled implementation schedules that were three times shorter than other offerings, and ensured an ease of use that resulted in customized development in less than one hour's time. The decision to implement SuccessFactors was an easy one to make.

With the help of SuccessFactors' performance workforce management technology, the Gordon and Betty Moore Foundation's five year plan is back on track and continues to promise strong results. Most significantly, SuccessFactors' technology dashboard has taken the guesswork out of the foundation's performance review process. The HR team can now see all its information in one view; enabling the group to be proactive and timely with the foundation's employees. SuccessFactors has also given the Gordon and Betty Moore Foundation the ability to offer incentive compensation that is integrated with each individual's goals and linked to the overall goals of the foundation.

For the first time, the foundation's employee pay incentive was based on a combination of individual performance as well as the overall performance of the foundation. This new capability was achieved because the SuccessFactors system manages all the compensation administration tasks, specifically locating and uploading information and conducting all calculations that to date had been calculated manually. The foundation's HR team estimates that by shifting to automated calculations, they have been

"As responsible stewards of the resources entrusted to us, the Gordon and Betty Moore Foundation needed to operate as a focused and agile organization. SuccessFactors has enabled the foundation to apply the same business rigor that we apply to our grantees to ourselves and align employees around our organization's goals."

Saul Macias, Associate Director of Human Resources, Gordon and Betty Moore Foundation

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able to achieve a time savings of at least 40-60 hours per review cycle. For Saul Macias, Associate Director of HR, this time savings meant that he could now reallocate his efforts to more strategic and meaningful work, and assist managers with the content and delivery of the organization's performance reviews. For an organization like the Gordon and Betty Moore Foundation, these efforts make a huge impact.

What SuccessFactors has also done is help the foundation avoid privacy breaches. The foundation's IT services are no longer needed to store and house performance review data in the organization's databases. The SuccessFactors system is completely private and secure, eliminating this concern. For any company, either big or small, privacy around compensation is critical.

In just two short years, the Gordon and Betty Moore Foundation has effectively implemented SuccessFactors technology to achieve extensive time savings, increased goal alignment and a pay-for-performance culture—as well as continue executing on their mission to apply the rigors of a for-profit business to a non-profit organization.

CASE STUDY 4: PUBLIC SECTOR

- Company:** Commonwealth of Massachusetts
- Description:** State government with diverse types of management and executive positions covering disciplines such as public safety, human services, engineering, healthcare, transportation, economic development and environmental science.
- Reported By:** Ruth N. Bramson, Chief Human Resources Officer, Commonwealth of Massachusetts Human Resources Division (HRD)
- Employees:** 45,000 state employees including over 3,000 managers and executives
- Challenge:** Develop a state-of-the-art automated employee evaluation system and implement the first true pay-for-performance program for over 3,000 state managers
- Solution:** PerformanceManager and Total Goal Management modules
- Timeframe:** April – October 2003 pilot; October 2004 onward full rollout
- Website:** www.mass.gov/hrd

In 2003, a new business-oriented Administration took over the reins for the Commonwealth of Massachusetts. The new Administration was greeted with a severe fiscal crisis which threatened the survival of HR. As a whole, the Commonwealth needed to do more with less, and incorporate some proven business practices from the private sector. A review of the Massachusetts management performance evaluation process revealed that the cost of managing the state's workforce had to be reduced. An additional major and systemic problem was that the Commonwealth's performance management process was simply paper-based, and as such, there was no easy or efficient way to collect and analyze the performance review data except for in-person audits and mass movement of paper forms between parties.

The process was not effective as a tool for communication, evaluation, or staff development. A dangerous ratings creep, where the vast majority of managers were all rated above average, was casting widespread doubt on the validity of the process. Not only were the reviews of poor quality, the development plans were purely remedial. Little emphasis was placed on evaluating and leveraging the baseline skills and competencies required for proficient performance.

The Commonwealth's strategy included the following:

- Change a process in which managers were not consistently held accountable for completing reviews, meeting evaluation deadlines or having meaningful conversations with their employees about performance
- Engage and excite a workforce whose average tenure is 10 years
- Capture the discretionary efforts of the workforce by eliminating seniority as the sole criteria for salary growth
- Move from a generic MBO-based system to a comprehensive hybrid system, which consists of strategic manager objectives, core managerial competencies and professional/staff development objectives

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To successfully meet these challenges, HRD began researching best practices and automated solutions that could help them resolve these issues. In the process of researching the technology options available, HRD was able to prioritize the features necessary to ensure an optimal system was adopted. The list included:

- Extensive functionality
- Fast implementation
- Easy configuration
- Ease of use to minimize necessary training and support

One of the solutions that incorporated these features was the SuccessFactors Workforce Performance Management Suite. So the Commonwealth's HRD engaged in a pilot program for 150 users across five different agencies.

The results? In less than eight months, the Commonwealth had successfully . . .

- Trained employees in conducting effective performance management evaluations
- Tailored management appraisals to actual jobs and outcomes
- Streamlined the performance evaluation form and process
- Aligned management's objectives with strategic Administration priorities

The results were high levels of employee satisfaction and better quality reviews. Consequently, the Commonwealth expanded its commitment to the SuccessFactors automated system by enrolling in a multi-year subscription to roll out this system to over 3,000 managers in hundreds of locations. As an ASP Web-based system, the SuccessFactors suite includes a reporting tool cited as one of the key advantages. It allows aggregate and individual data—including ratings, milestones, comments and form status—to be instantly available to both the Commonwealth's HRD and the corresponding agency's HR directors.

The solution also gave the Commonwealth the ability to track completion dates of review forms, enforce compliance with rating distribution guidelines and access development objectives to help conduct statewide training needs assessments.

“Commonwealth managers are now more motivated to deliver that discretionary level of effort, as their pay is based on performance and salary quartile rather than the across-the-board step increases awarded under the previous system. Our new SuccessFactors workforce performance management system has helped change the Commonwealth culture to place a high priority on evaluating performance, providing us with the power to recognize, reward and retain our best performers.”

Ruth N. Bramson, Chief Human Resources Officer, Commonwealth of Massachusetts

The Commonwealth continues to make advances with their SuccessFactors technology—upgrading their user interface, leveraging the full power of the reporting and analytics functionality and working with SuccessFactors to maintain full ADA compliance of the software so all users can access the system. As the state continues making key moves to align, motivate and develop their management and executive workforce, it is very clear on one key issue. SuccessFactors helps strategically position the Commonwealth as an “employer of choice,” and transforms the evaluation process from an annual event to a process involving ongoing communication between manager and employee, which ensures a focus on developing employees to their maximum potential.

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SUMMARY

As you can see from these four case studies, integrating smart management of workforce performance into your operations can be done quickly and effectively regardless of the size or mission of your organization—plus it can profoundly impact the success of your organization.

In the October 10, 2005 *BusinessWeek* cover story, Nanette Byrnes reports on companies properly developing internal talent, “These companies are all in different industries. They are different ages, sizes, and have their own growth strategies. But at bottom, all recognize that the secret of every high-performing company is great people—and that there aren’t enough stars to go around. Consider the 20 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.”

It is clear that by implementing best practices in workforce performance management, you can enhance all aspects of your operation. The key is to rapidly align, develop, motivate and maintain a high-performance workforce. The result of making smart, strategic use of intellectual capital is an organization that is more productive, competitive and profitable.

BULDING A BETTER WORKFORCE

What technology can (and can't) do to help companies optimize their most valuable asset.

By Scott Leibs, CFO IT, *CFO.com*, September 15, 2005

The incessant labeling of the workforce as a company's most-valuable asset seems wholly at odds with the scant efforts most companies make to optimize it.

Now, however, a number of people in industry, academia and consulting say that companies are starting to heed their own rhetoric regarding those valuable employees. With costs already cut to the bone, a renewed focus on growth, concern that demographic trends may result in a shortage of talent, and a greater appreciation of the efficiencies that can now be brought to bear, some companies are pursuing a range of "workforce optimization" strategies.

This article presents information about those strategies. It outlines information gathered from a survey of CFOs and discusses their opinions on and approaches to employee optimization. You'll learn from Kimberly-Clark Corp., IBM, and others, how they handle their performance management challenges.

For the full text of this article, visit:

http://www.cfo.com/article.cfm/4390947/c_4391687?f=magazine_coverstory

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ADVANCE YOUR WORKFORCE PERFORMANCE MANAGEMENT WITH EASE

To rapidly and more easily align, develop, motivate and maintain a high-performance workforce, you can turn to SuccessFactors with complete confidence. Our world-class application suite is delivered with the vision of providing the visibility, accountability and results you require.

- **Visibility:** Achieve clear, timely and accurate visibility to employee performance and potential. Consistently monitor progress against goals and competency levels for your entire organization. Incent employees with the knowledge that their efforts will not go unnoticed and will be evaluated in a meritocratic environment of pay for performance.
- **Accountability:** Support a real organizational commitment and ownership for corporate and employee goals. Actively drive employee productivity and motivation through line-of-sight goal alignment and employee development planning.
- **Results:** Make a tangible impact on revenue through substantial increases in employee productivity, decreases in employee turnover and the reduction of development costs.

The SuccessFactors Workforce Performance Management Suite is being used successfully by over 200 cross-industry customers and over 600,000 users with a 98% renewal rate—the highest in the industry. Client companies include:

Service/Retail

REI
Fazoli's Italian Restaurant
Hilton Hotels
FedEx

Technology

Borland
Canon
Agilent Technologies
Earthlink

Pharmaceutical/Healthcare

Canadian Red Cross

Blue Cross Blue Shield of
Massachusetts
GlaxoSmithKline
Prudential & Travelers

Financial/Insurance

Wachovia
New York Life
MasterCard
PaineWebber

Manufacturing/Utilities

Volkswagen America
Ford

Kimberly-Clark
Caterpillar

Telecommunications

KMC Telecom
Samsung
Quantum
Intelsat

Education

Capella Education Company
Follet Educational Services
Thompson Publishing

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