
Designing a performance management & reward system for Ansh Systems Pvt. Ltd.

An SME in BPO activities
in Pune, India

M.J. Kusters
s0092487

Supervisors:
Dr. M.J.T. van Velzen &
Dr. H.J.M. Ruël

Date: March 28, 2011

CONTENTS

| | |
|--|----|
| Executive summary..... | 3 |
| Word of Acknowledgement..... | 4 |
| 1 Introduction..... | 5 |
| 2 Methodology..... | 6 |
| 2.1 Research problem..... | 6 |
| 2.2 Research goal & questions..... | 7 |
| 2.3 Data collection..... | 8 |
| 2.4 Design-oriented research..... | 9 |
| 3 Theoretical Framework..... | 11 |
| 3.1 Performance appraisal and reward systems..... | 11 |
| 3.2 Performance Management..... | 12 |
| 3.3 Effects of contextual requirements..... | 13 |
| 3.4 Conclusion..... | 15 |
| 4 Data analysis..... | 16 |
| 4.1 The designing cycle..... | 16 |
| 4.2 Evaluation System..... | 18 |
| 4.2.1 Competencies..... | 18 |
| 4.2.2 Selection process at Ansh Systems..... | 20 |
| 4.2.3 Design of a new set of competencies..... | 21 |
| 4.2.4 Analysis of the designations and tasks..... | 23 |
| 4.2.5 Setting standards for the employees..... | 25 |
| 4.2.6 Conclusion..... | 27 |
| 4.3 Reward policy..... | 28 |
| 4.3.1 Comparative Salary Position, a financial reward system for Ansh Systems..... | 28 |
| 4.3.2 Other rewards..... | 29 |
| 4.3.3 Conclusion..... | 30 |
| 4.4 A web-application for evaluations..... | 31 |
| 4.4.1 Step 1. Defining the users of the application..... | 31 |
| 4.4.2 Step 2. Proposing the tabs, the visual elements and the functionality..... | 32 |
| 4.4.3 Step 3. Making the first prototype..... | 34 |
| 4.4.4 Conclusion..... | 36 |
| 5 Discussion & conclusion..... | 37 |
| Bibliography..... | 40 |
| Appendix A: Nederlandse samenvatting..... | 42 |

EXECUTIVE SUMMARY

Ansh Systems is an Indian-Dutch company that focuses on Business Process Outsourcing of accounting and software engineering activities to Dutch small to medium-sized enterprises. The company has recently been through a growth of personnel, and expects more growth in demand for products and personnel for the future. Because the company's evaluation system is not prepared for more employees, and there is no clearly defined reward system, a need is identified for these systems to be re-designed into a new software application.

In this research, the designing cycle of Verschuren & Hartog (2005) is put into use to design a new performance management & reward system for Ansh Systems. The model structures the design project, and evokes an overview of the criteria for the system, divided into functional, user and contextual requirements. This methodological line of thought gains insight into the designing phase of a new system.

The main theoretical criteria that are found can be best described per concept. Abilities, motivation and opportunities can be seen as dimensions that make up a performance, and comparative approaches of performance appraisal are more valid to companies instead of a 'best practice' approach. Performance management is different from performance appraisal, and is accomplished through a stage model that includes a clear setup, planning, delivering & monitoring, review and finally reward of performances. Rewards are a motivational tool for performance, and can be divided into individual, transactional, relational and communal rewards.

Justice in the system is accomplished through consistent application of rules, making rules free of bias, accurate, representative of stakeholders and consistent with ethics in the organisation. Formalisation of rules is a way to accomplish justice. Formalisation of processes, clear communication of structures, objectives and strategies are methods of handling threats to the performance of employees in Small to Medium-sized Enterprises in the branch Business Process Outsourcing in India.

The result of the design is a set of criteria, requirements and assumptions that lead to a set of competencies that can be assessed in the company's employees. The specific operationalised competencies are assigned to abilities, which are again assigned to main groups, in order to create a hierarchical evaluation structure. The four main groups are *Quality*, *Planning*, *Business Logic* and *Internal Discipline*. Employees will be appraised on these competencies on function-specific and not-function-specific subjects, and are given a rating, which is coupled to an overall performance grade. This performance grade is linked to the reward policy, which is set up according to current salary standards in the company. Systemization is made possible as a formula for the calculation of a salary is feasible in a software application.

A web-application is created with the results of the research, which is meant for internal use in Ansh Systems. The software provides information and calculations to managers and their subordinates, combining the information gathered from evaluations with the salary calculation application. The system is therefore useful for both employees as well as managers, and makes the company's performance management and reward system insightful and accessible to all people involved in the process.

WORD OF ACKNOWLEDGEMENT

The thesis that lies in front of you, the reader, is the result of a long period of experiences for the writer. Starting up my assignment in the Netherlands, doing field research in India, reporting and analysing the results when finally being back home, it was all part of it, and not everything went fluently. However, there were always people around me that knew how to keep me on the track, and therefore I wish to express my gratitude to my first supervisor, dr. Martijn van Velzen for guiding me through the project. He has helped me conquer all necessary obstacles in the process, spending more time than assigned, and most probably more effort as well. Also the role of my company supervisor and my secondary supervisor, mr. Marco Freriksen and dr. Huub Ruël respectively was crucial for giving me the opportunity to explore the company, and helping me through the last parts of writing this thesis.

Of course my direct family has supported me throughout the project, being inquisitive and motivating me when needed, for which I thank them dearly. Among many other fellow students and friends, I especially want to mention Sean Straatman (BSc) who has helped me in many harder times, and was always there to give advice, correct work and help me finish this thesis. Without the help of all these people, the thesis would not be as interesting as I hope it is now. I am proud of the results that the research brought, and the experience that I gained, and hope that you, the reader, will have good knowledge of the project after you have read the full work.

Martin Kusters

1 INTRODUCTION

“India has become the prime destination for software outsourcing because Indian software companies are conditioned to fulfil the software development needs of the foreign clients. This customer-centric approach of Indian software outsourcing industry is ably backed by its skilled software work force.” - theoutsourcingblog.com

As a country, India is famous for offshore outsourcing, specifically in software development. Many companies ranging from very small to very large can be found in the big cities Delhi, Mumbai, Hyderabad (often nicknamed Cyberabad), Bangalore and Pune. A recent study by Capgemini showed that out of a sample of 300 companies on the Forbes 1000-list, 60% has currently employed outsourcing activities in India (Wilmot, 2010). Of course this creates a lot of employment in India, and huge amounts of companies want to take part in the market.

Ansh Systems is such an organisation that can supply offshore outsourcing activities to Dutch Small to Medium-sized Enterprises. Since 2002 the company offers its customers their products and services. Founders and directors Mr Marco Freriksen and Mrs Shweta Lodaya have taken their company from being a mediator between Dutch customers and Indian performing suppliers, to becoming a supplier itself, having its own business unit in Pune, India. The main two fields in which the company operates are software development and ‘Business Process Outsourcing’ (BPO).

The BPO department operates under the name Bluzor B.V. in the Netherlands, and offers accountancy services like making annual financial statements, offering management reports and invoice processing to accountancy bureaus. Eastern Enterprise B.V. is the marketed name of the software activities. This department offers development of mainly web-applications and tools, in technologies as ASP.NET and C#.

The mission of the company is to offer first-class offshore outsourcing activities to SME’s to give them the opportunity to work cheaper, more effective and more efficient. The company seeks thus to offer a quality of products and processes to their clients that is of the highest standard in offshore outsourcing. The products and processes that the company offers are not defined in the mission, as Marco Freriksen’s approach is that the ‘vehicle’ outsourcing is a generally usable vehicle, applicable to many products and processes. The services now being offered by the company are just a small part of what is envisioned as possible markets.

Eastern Enterprise and Bluzor do not aim to be the most innovative supplier in the business. According to management, the aim is to satisfy customer demands, to answer to the customer’s requirements. The work has to be done with the lowest cost possible, as this is the competitive advantage of Eastern Enterprise. This should lead to a higher level of cost-efficiency, but possibly a lower level of innovativeness in products.

Halfway through 2008, Ansh Systems has its own business unit in which at the start of the research (January 2010) nineteen people were employed. Because of the company’s vision of using a standard outsourcing model for new markets, management sees many opportunities and foresees a growth of the company in general. Management also believes that the acquired experience as entrepreneurs will provide a solid competitive advantage on which to grow the organisation.

During multiple projects with customers, owner Marco Freriksen has experienced that he is not in sufficient control of all factors that determine the outcome of a project. A general feeling to get more control over these factors emerged. The first aspect that was encountered is personnel management, and more specific how to evaluate and reward employees. One of the goals of the company is to grow as a whole, to be able to handle more orders, and therefore to grow in number of employees. Even during the research period of three months, four people were hired to keep up with the number of projects. Management felt that their current - quite intuitive - approach was not enough to keep control over evaluations, recruitment and determination of a salary for employees if the number of employees would grow larger. This is being experienced as an obstacle to the company’s development, and should therefore be treated aptly, which is the exact aim of this thesis.

2 METHODOLOGY

This chapter will deal with the methodology of the research. Choices that have been made in order to make the research more efficient or more valid will be explained here. The reason for the research, the research questions and objectives, and the use of the model that describes the design process in steps will be discussed.

This research has prescriptive goals; the main aim of this research is to present a design of a reward and evaluation system that enables Ansh management to have more control over the projects they handle. The focus of the research, therefore, is also on one company, and therefore all outcomes and recommendations in the research are made for this company, though they might be applicable to organisations with similar properties. For this reason the choice has been made to describe the main characteristics of the company as detailed as possible, to suggest the possibility of a relationship between these characteristics and the outcome.

2.1 RESEARCH PROBLEM

Ansh Systems is a growing company. The prospect is that more employees are needed to handle a potential growing demand for its services and products. A larger number of employees will create a chaotic situation when this is handled with the existing intuitive method. There are more people that need to be monitored, and at some point in time the intuitive system will fail to be sufficient. As evaluating the performance of more employees will require more time and a more systematic method.

To be able to monitor the larger number of employees a more structured approach is needed. Managing the evaluations, the recruitment and the reward system can be improved by structural approaches (Russ-Eft & Preskill, 2009).

Instead of manually monitoring the performances of employees, management has the wish to have a software application that manages as many administrative tasks on its own, and therefore saving time for other activities. The system will be the means through which the goal of better monitoring the employees has to be accomplished.

The owner of Ansh Systems is not happy with the fairness of the evaluations and rewards coupled to the evaluations that are used at this time. The employees are not evaluated fair enough because there is no unambiguous method to do the evaluations, and therefore employees could be evaluated in a certain way because of factors that should or should not be taken into account in the evaluation. The owner wanted to rule out as much of subjectivity as possible, and create an objective method for evaluation.

2.2 RESEARCH GOAL & QUESTIONS

The goal of the research is to create a system that helps the evaluation and rewarding of those specific aspects of HRM that are required in Ansh Systems improve. As a good way to help students identify a research question, Punch (2006) uses the questions (1) “*What are we trying to find out here?*” followed by (2) “*What questions is this research trying to answer?*” and (3) “*What are the research questions?*”. Applied to the before mentioned research problem and goal, the answer to the first question is that we want to have a full overview of how evaluations can be made at Ansh Systems, and how these can be rewarded. Question (2) brings up two new questions: ‘how can we evaluate our personnel systematically?’, and ‘how can we approach our reward policy systematically?’. Both questions imply that a systematic approach will improve the system and this will also be assessed in this report.

Additionally, it is expected that due to its unique position between the Netherlands in India, Ansh’s new performance system should incorporate company specific, competitive advantage bringing factors that may affect the outcomes appraised by the system. It is therefore useful to analyse the most important properties of the company, and take these into consideration for the recommendations of a new evaluation system and reward policy.

With the help of the earlier questions, the **main research question** can be identified as:

How can the current evaluation system and reward policy of Ansh Systems be improved in such a way that monitoring employee performance evaluation improves?

To help answer the main research question, several sub questions will be distinguished. These sub questions address the topics that will contribute in answering the main research question.

Sub question (I): *Which main characteristics of Ansh Systems influence its evaluation system and reward policy?*
Part 1. Business Process Outsourcing
Part 2. Small to Medium-sized Enterprise
Part 3. India

In order to answer this question, the main characteristics that influence Ansh Systems must be identified and analysed. This will be done in a theoretical research on the three aspects that were mentioned as important by the management of the company and theoretical leads that point to the importance of certain aspects.

Sub question (II): *How can the individual performance of employees be evaluated and rewarded in order to improve Ansh’s overall performance?*
Part 1. Performance appraisal and management
Part 2. Design of a systematic approach to evaluations
Part 3. Reward system

This question aims to discover the appropriate method to evaluate and reward employees in the specific case of this company. This will be assessed through previous researches, and current experience available in the company.

Sub question (III): *What are the specific criteria for designing a performance management and reward system?*

The goal of this question is to think in criteria for the system that is to be designed. Different users have different requirements, and an attempt is made to include all the requirements of all

the actors in the design. A framework is used to structure the approach to setting up the criteria. For further information on this framework, see section 2.4.

Sub question (IV): *What would the empirical design of a performance management & reward system look like? And are there differences with the theoretical design?*

As the majority of the assignment during the research phase in India has been done on empirical information, this is an interesting question. Did the application of previous scientific researches change anything in the design of the system, and are there requirements not met that are set by deduction from the theoretical framework? In answering this question, it is also possible to infer what the contribution of this research is to the existing theory on the subject.

2.3 DATA COLLECTION

As the research focuses on one company, the data collection has been done inside this company, through qualitative in-depth interviews with two managers. One of these is the director and founder of the company. The other is the most experienced technical man and team manager of the company, responsible for many HR tasks as selection, training and evaluation. The goal in these interviews was to find a system in the qualities needed for employees, a system of which the managers were probably mostly not aware of, but would be after the interview and research. So in cooperation with the managers a list was made for the valuation of individual qualities. This method was chosen because the managers were considered to be the most valuable resources of information about the company, and therefore the list that was created with their help reflected the strategy of the company. In this process, it occurred that because of the questions or the given answers, the managers realised that there were contradictions in the strategy that the company wanted to follow and the execution of the evaluations or selections, and therefore a change in the execution was directly achieved in an interview.

Next to the managers, also the opinions and experiences of employees were included, though this was to a lesser extent. The information gathered from these employees was generally gathered through informal discussions or as an experience by working with the employees in practice (this happened during a period in which the software solution was to be produced).

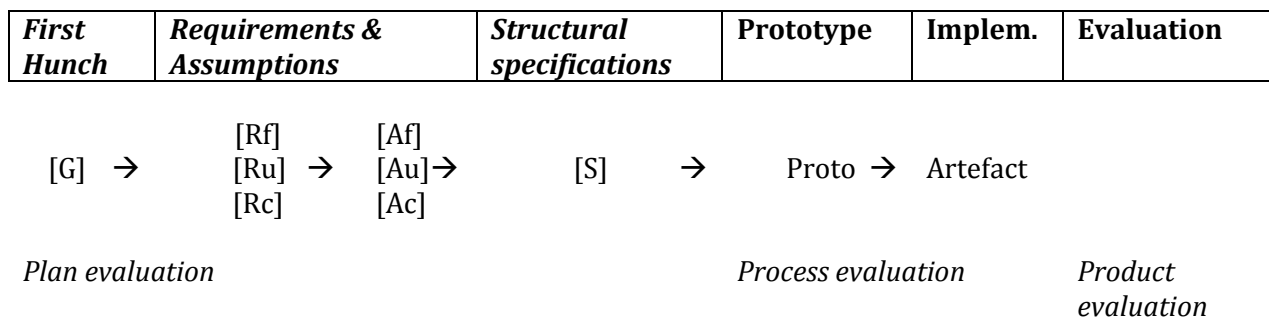
Additionally, for the design of the reward system, an external source was used as an addition to internal information, because there was little information in the company about competing companies on salary offers. This source was Naukri.com, the leading e-recruitment website in India. On this website an application is available that calculates an estimated salary according to a number of variables. This whole application was very conducive to the research, as it provided an insight into the averages of salaries in India, but also in special locations and work fields.

2.4 DESIGN-ORIENTED RESEARCH

General research methodology is not specifically concerned with design research. For this purpose, Verschuren & Hartog (2005) have designed a more practice-oriented approach to research. With this approach a systematic method for a design process of a new artefact can be achieved. This is called design-oriented research.

According to Verschuren & Hartog (2005) designing a new artefact from the first thought to the end-product can be divided into six stages of development. The six stages described subsequent form the designing cycle as has been constructed by Verschuren & Hartog (2005).

Figure 2.1 schematic view of the ‘designing cycle’ of Verschuren & Hartog (2005).



Stage 1 is titled *the first hunch*. In this stage a set of goals will be put together, that the artefact will have to achieve.

Stage 2. *Requirements and assumptions*. Here, requirements of the artefact should be specified from the goals of the first stage. Three types of requirements are distinguished: functional requirements, users requirements and contextual requirements. Functional requirements are those requirements that are implied by the goal that needs to be achieved by the artefact. Users requirements are requirements of the users that will eventually have direct involvement with the artefact. The last type of requirements is contextual requirements, with aspects as political, economical, juridical and social environment playing a part.

In an example, this is much easier to explain. For this reason an example of the design of a special type of car for television transport is considered. The functional requirements in this case will be the way that the televisions will be loaded in order to achieve safety of the product, fast loading times, etc. User requirements can be from the driver, the workmen that (un)load the vehicle, and the mechanic that has to maintain it. Finally the contextual requirements will be standards to which the vehicle has to conform to be allowed to drive on the national roads, the pollution it causes, and other restraints that may be from a contextual nature.

To proceed with stage 2, the assumptions will be defined. Assumptions are those qualities which the users and the context should possess to make the use of the artefact a success. A designer should create these assumptions, with the purpose of checking the feasibility and credibility of the artefact. The assumptions are again subdivided in users assumptions, context assumptions and function assumptions.

Stage 3. *Structural specifications*. This stage is aimed at creating the structure of the artefact. The characteristics, parts and aspects that the artefact needs will be deduced from the set of requirements and assumptions of stage 2. The design reaches a real form for the first time in this stage, as specifications are made of what the design will look like.

In this stage, the design moves gradually from a general design to a specific design, going deeper into the design of sub-systems or sub-processes instead of the main systems or processes.

Stage 4. *Prototype*. This next step is to transform the design into a 'prototype', that should have all the results of the previous stages embedded in its properties, or explained why these are omitted (logically or functional not to be applied into the prototype?).

Stage 5. *Implementation*. For the implementation of the artefact, the prototype has to be released into the 'real life context'. This is again to check if there are no omitted assumptions, requirements and specifications in the design, but now in its end form. Users have to be tested or even trained with the artefact.

Stage 6. *Evaluation*. Even though evaluations should also be done intermittently during the previous stages, this stage is an opportunity to check if the design goals have been achieved with the artefact. Also now, other stakeholders can assess if their expectations are met by the artefact.

Within these 6 stages different types of views on evaluation can be used. Firstly, one can distinguish the evaluation of the plan, the process and the product. Plan evaluation is intended to be used for the first 3 stages of the cycle, process evaluation for stage 4 and 5, and product evaluation in stage 6.

Another way to distinguish evaluations is by their goal, if they are formative or summative evaluations. Formative evaluation focuses on how to improve the artefact, while summative evaluation is directed at the effectiveness and efficiency question of a design.

As a third type of evaluation, there is a difference between ex ante and ex post evaluation, being that in ex ante evaluation one evaluates before the aim of an activity is achieved. Ex post is the opposite, that evaluation is done after the activity has been completed. This is closely related to summative and formative evaluation, because ex ante evaluation is mostly has formative reasons while ex post will mainly be for summative reasons. In case of stages though, it is possible that the ex post evaluation of stage A is formative for the design of stage B.

The last distinction is between goal based and goal free evaluation. In goal based evaluation the design goals of the project are reviewed and judged upon the achievement. Goal free evaluation on the other hand means that an evaluator assesses if the artefact is helpful to general professional or practical criteria or standards not directly linked to previously set design goals (Verschuren & Hartog, 2005).

3 THEORETICAL FRAMEWORK

In order to design a system for evaluation and rewards for Ansh Systems the terms that will be used in the research will be defined and explained. In this thesis, the partition in dimensions as proposed by Gupta & Singhal (1993) is important for providing insight into the HRM strategy of Ansh Systems. HRM as defined in Gupta & Singhal (1993) encompasses four dimensions: 1. Human Resource Planning, which involves analysing and determining of personnel needs, 2. Performance Appraisal, about what tasks should be rewarded and how to assess personnel performance 3. Reward Systems, the support of the organisation's goals by rewarding activities that lead to these goals, and 4. Career Management, matching employee's goals with organisational goals through education.

This research will involve two of these four dimensions, focusing on the performance management and reward system of the company. These concepts will be further explored in the next section.

As fairness is a prerequisite for the system, it is important to understand that a form of justice is part of the system that will be developed. In fact, justice is more of a higher goal, set by management, because management identified an increase in justice as a way to improve the motivation of employees. The way that this justice will be reached, is through formalisation of the system's rules, and this can be seen as a procedural justice (Cropanzano, Bowen & Gilliland, 2007). To be able to call a process just, it should be applied consistently to all, free of bias, accurate, representative of relevant stakeholders, correctable, and consistent with ethical norms (Leventhal, Karuza, & Fry, 1980). By achieving justice in the system, employee trust and commitment will be improved, and through this, job performance is enhanced (Cropanzano, Bowen & Gilliland, 2007).

3.1 PERFORMANCE APPRAISAL AND REWARD SYSTEMS

Performance appraisal is defined by Gupta & Singhal (1993, p. 41) as "Performance Appraisal. This strategy appraises individual and team performance so that there is a link between individual innovativeness and company profitability. This strategy takes into account what tasks should be rewarded and who should assess employee performance." A more process-oriented definition comes from Erdogan (2002, p. 556): "performance appraisal is the formal process of observing and evaluating an employee's performance." However, Coates (1994) indicates that what organisations measure in performance appraisals is not necessarily an objective performance, but rather the extent to which the individual conforms to the organisation.

To specify the variables of performance, Boxall & Purcell (2008) discuss the 'AMO' framework, which claims that performance of an individual is a function of the individual's abilities, motivation and opportunities. The 'AMO' framework will be used to empirically construct a list of competencies for the performance appraisal system. It is represented as $P = f(A, M, O)$, and many specifications have been made on this model, for example by Campbell et al. (1993). But the basic principle has been very useful to help remind that abilities alone are not enough to make a good individual performance. Ability is often translated in 'can do' factors, and motivation in 'will do' factors, to clarify the concepts.

Researchers that have compared the effectiveness of absolute and comparative approaches to performance appraisal have found that comparative approaches are more valid to companies (Wagner & Goffin, 1997). This contributes to the validity of developing a system empirically, as it

would be more adaptable and fitting to the company, more than a 'best practice' solution, as this does not have specific adaptations for the specific characteristics of Ansh Systems.

It can be considered vital in a research to define what the threats are of the design. The three most important reasons why an appraisal system would fail according to a research by Longenecker (1997) are: unclear performance criteria or an ineffective rating instrument, poor working relationships with the direct supervisor, lack of information about the appraisee available for the appraiser.

According to Gupta & Singhal (1993) reward systems should motivate employees in achieving organisational goals like productivity, profitability and innovation. If a company strives for innovation, the reward system has to motivate employee risk-taking, development of successful new products and generation of a higher number of product ideas.

Traditionally, rewards were considered to be only of a financial nature, only through payment people could be sufficiently and adequately rewarded. This has evolved into a concept of 'total reward', in which rewards are the total package of ingredients that managers can offer to employees, tangible as well as intangible, financial as well as non-financial. Rewards are thus seen as the widest sense of the concept: anything that could be considered rewarding to the employee can be a reward. Armstrong & Brown (2006) have shown four distinct categories of rewards, in order to gain insight into the possible forms of reward. These four categories and their specific rewards are:

| Individual | Transactional | Relational | Communal |
|-------------------|----------------------|--------------------------|-----------------------|
| Base pay | Pensions | Learning and development | Leadership |
| Contingent pay | Holidays | Training | Organisational values |
| Bonuses | Healthcare | Career development | Voice |
| Incentives | Other perks | | Recognition |
| Shares | Flexibility | | Achievement |
| Profit sharing | | | Job design |
| | | | Work-life balance |

The researchers imply that each category has equal potential significance as a source of reward for an employee. This model is based on the Total Reward model of Towers Perrin (2005).

3.2 PERFORMANCE MANAGEMENT

"The essence of performance management is establishing a framework in which performance by human resources can be directed, monitored, motivated and refined; and that the links in the cycle can be audited." (Clark, 2005, p. 318). Performance management is easily confused with performance-related pay or appraisal systems, but is not the same. As it is shown in the above quotation, it contains more than that. According to Torrington, Hall & Taylor (2008) performance management systems have a number of characteristics, under which:

- A *top-down link* between business objectives and individual objectives.
- The system is driven and owned by a *line manager* instead of an HR functionary.
- A *continuously updated document* where performance and development plans, support and ongoing review are documented during the period that work progresses, and prior to annual review, is maintained.
- Performance is *rewarded and reinforced*.

These characteristics distinguish a performance management system from performance appraisals and other closely related subjects.

A performance management system can be viewed as a process of several stages. Torrington et al. (2008) pose that these stages are:

1. Business mission, values, objectives and competencies
2. Planning performance
3. Delivering and monitoring performance
4. Formal performance review or assessment
5. Reward

This stage model indicates that a thorough performance management system starts with the analysis of the existing business mission, the values, objectives and competencies in the organisation. These factors all have implications on the performance of the organisation, as these are the measurable components that will be used for comparison with the outcome. The next stage is planning, in which the expected performance for the individual is set on the basis of the organisation and team goals. An important side note to the planning of performance is given by Williams (2002). He states that individuals are not always have in full control of their results and thus performance should not only be measured by output, but also by behavioural aspects. The third stage is the stage of delivering and monitoring performance, where the work is done to achieve the performance. In stage four, the performance is reviewed and assessed in order to conclude if the performance complies to the pre-set expected performance. In the final stage, the differences between the expectation and the outcome performance should be reflected in the reward, financially or non-financially.

3.3 EFFECTS OF CONTEXTUAL REQUIREMENTS

The design model of Verschuren & Hartog (2005) shows that there are different types of requirements to the system. The functional and user requirements will be inferred by empirical research, but the contextual requirements will initially be looked at through theoretical sources. The contextual requirements are the requirements that come from external sources. It will be distinguished which contextual factors of the company play a role in the implementation of the system.

The characteristics which differentiate Ansh systems as a company can be seen in three fields. 1. Ansh Systems being a company located in Pune, India, 2. Being a Small to Medium-sized Enterprise, and 3. Being in the Business Process Outsourcing market. These characteristics have to be evaluated upon their influence on the design of a performance management and reward system. This will be done in the following section.

BPO is a term that one will come across often when researching the literature on offshore outsourcing, among other forms of Process Outsourcing, like KPO (Knowledge Process Outsourcing) and LPO (Legal Process Outsourcing). BPO will be defined as 'the delegation of non-core processes from internal production within a business to an external entity', an adaptation of Herath & Kishore's definition (2009).

A first good idea of what the effect that being an Indian company that does BPO-activities has on the HRM strategy of the company is elaborated by Budhwar, Luthar & Bhatnagar (2006). According to them, Indian BPO companies are "highly structured, tightly controlling, bureaucratic, formalized, monitored, and scripted, though aiming for a 'total customer satisfaction' philosophy" (Budhwar, Luthar & Bhatnagar, 2006). This results into formal and structured recruitment, training, compensation and performance appraisal. "The design of work

systems in the BPOs under study was very formal and bureaucratic” (Budhwar et al. 2006, p. 355). Career development and training are less emphasised in India than in the Western countries, to a certain extent because of the availability of many graduates looking for a position (Budhwar et al. 2006).

In some organisations however, there is a growing attention for the ‘human issues’, as psychological health and stress-related problems, developing career related policies, more workplace flexibility, and creating a more interesting work environment for employees. Nonetheless, through a well-structured and rationalized HRM approach, significant improvement can be achieved in employee relations with management and organisational competitiveness and performance can be increased. Talented employees must be attracted and retained, and therefore the employee relations should be kept on a high level. Still a need is evoked when setting up a stricter structure, and that is in employee empowerment, flexibility and a work environment that stimulates the employee. (Budhwar et al. 2006)

Then, what does it mean for your HRM strategy to be an SME? To answer that, first let’s have a look at what an SME in general is. In the ‘Micro, Small and Medium Enterprises Development Act of 2006’ (Indian Ministry of Law and Justice, 2006), a company with less than 100 million Rupees (= €1,62 million approx. in February 2011) invested in plant and machinery is a medium-sized or smaller company.

One or a few entrepreneurs are usually the starters of an SME, and often these people will function as the owner-manager (Ritchie, 1993). An SME will not have many layers, thus a flat corporate structure, and the owner-manager is the direct boss of most employees. This does not necessarily mean that the company is less bureaucratic. By staying on a smaller level of operation an SME aims to gain a competitive advantage in for example flexibility, informality, sustainability and structural adaptability. Also, SME’s are more focused on operational aspects and often neglect people-management issues. (Saini & Budhwar, 2008)

In great contrast to multinational corporations in the BPO sector, there is a lack of formalisation in management of people issues in SME’s. The entrepreneurs feel that the lower amount of structure is not a problem but a way they can keep costs low, offer flexibility, and their informal structure even will provide them with a competitive cost advantage in the market.

Owner-managers of SME’s try to build collective-involvement culture in their company with the informal structure, and hence want to accomplish more employee involvement for example for working extra hours. Paternalism as leadership is a strong concept in SME’s, where it helps the informal structure to achieve the higher inter-personal demands of the company.

Another important aspect is that SME’s are under the influence of a ‘bounded rationality’, as they believe that the company and its setting is unique, and therefore formalisation is not a method to help them develop (Saini & Budhwar, 2008).

The strong leader proves to be a weak point when it comes to the shift to formalisation in the company, but if the closed mind of the owner-manager can be opened, this can be changed, and a focus will need to be put on a more professional approach of people issues (Saini & Budhwar, 2008).

What can then be important aspects to keep in mind when designing a performance management & reward system? Schmelter et al. (2010, p. 736) offer a useful suggestion:

“SMEs face the challenges of a growing organization, bureaucratic and rigid structures, and resource constraints, carefully selecting and designing HRM practices are essential for encouraging CE and, thereby, creating competitive advantage. It can be assumed that sustainable levels of CE demand a corresponding organizational culture. Managing a culture, however, represents a significant challenge for SMEs, given their smaller structures and resource restrictions. Nevertheless, the results of this study demonstrate the opportunity to start building that culture, beginning with three concrete HRM practices.”

The three practices that are meant in this quotation are: 1. Staff selection, 2. Staff development and training, and 3. Staff rewards (Schmelter et al. 2010). One of these three practices will be tackled in this research, the staff rewards, the others will be held out of the research due to the focus on performance management & reward.

3.4 CONCLUSION

In this section the set of requirements that lead from the theory will be put together, which will, together with the empirical requirements, create the basis for the system. This set-up can also be found in Table 3.1.

To design a system that improves employee performance, the system should be just. In order to accomplish this, formalisation of the system's rules is a requirement. The system should be applied consistently to all employees, free of bias, accurate, representative of relevant stakeholders, correctable and consistent with ethical norms.

The best approach for the system in terms of 'best-practice' or 'best-fit' would be a comparative approach, which will be designed to fit the company as best possible. Therefore, a large part of empirical suggestions should be considered. Next, the performance criteria of the company should be set clearly, the direct supervisor should be communicatively strong and the appraiser should have sufficient information about the appraisee.

Rewards can be granted in four categories: individual, transactional, relational and communal, and use of each category is of equal importance. To accomplish a performance management system, the organisation should keep focus on the top-down link between business objectives and individual objectives, responsibility for the performance being taken by a line manager instead of an HR manager, a continuously updated document on performance and development plans should be kept and finally, performance should be rewarded and reinforced.

Indian BPO companies are described as highly structured, tightly controlling, bureaucratic, formalized, monitored and scripted. This creates a tension with the stimulation of motivation and performance of employees, as this will need empowerment, flexibility and a stimulating work environment. This tension is reinforced by characteristics of SME's, as these involve an aim for flexibility, informality sustainability and structural adaptability, and the often occurring neglect of people-management issues. Formalisation of processes and clear communication of structures, objectives and strategies is a frequently encountered method of improving the performance of SME's, and is also a goal of the system that is to be developed.

Table 3.1 Important theoretical concepts and their content

| Concept | Content |
|------------------------|--|
| Performance appraisal | Abilities, Motivation & Opportunity Comparative approaches are more valid to companies |
| Rewards | Motivational tool for achieving goals Individual, Transactional, Relational & Communal |
| Performance management | Stage model: 1. Mission, values, objectives and competencies; 2. Planning performance; 3. Delivering and monitoring performance; 4. Review or assessment; 5. Reward. |
| Fairness | Formalisation of the system is required: consistent application to all employees, free of bias, accurate, representative of stakeholders, consistent with ethics |
| Indian SME in BPO | Formalisation of processes, clear communication of structures, objectives and strategies |

4 DATA ANALYSIS

This chapter will describe the process that was followed to achieve the company's goals. First, the current situation of Ansh Systems is analysed, and a set of abilities observed to be of importance in the selection process is put together. After the creation of this set of desired competencies, the addition of minimum grades (x out of 10) is done, to compare the needs of the different designations. Finally, the grades for the different competencies will be used to design a reward system, in which the difference of importance of the competencies is visible. Through this way, the HRM-strategy of Ansh Systems will reflect in the whole system.

4.1 THE DESIGNING CYCLE

Because of the addition of the design cycle after the actual design phase of the product, this cycle could only be used as an evaluative tool, i.e. a summative evaluation tool. Nonetheless, it can be regarded as a useful tool for a systematic description of the methodology approach of the design. The activities that have been done in order to design the software application will be divided into the stages of the designing cycle.

Stage 1. The first hunch. The designing process started with the general manager taking the initiative to attract a trainee to design a system that would help the organisation develop their performance management and reward structure. The goals that were to be achieved with this software application would be: to give an insight into the qualities of the current employees and possible new employees; provide a fair basis for a salary calculation for a person; calculate salaries for employees; keep track of the results of appraisal meetings held in past; and have the application be an assistant for an HR manager. These goals are the most important objectives indicated by the general manager to be fulfilled.

Stage 2. Requirements and assumptions. To be able to achieve the goals of the first step, the requirements of the system were specified, and divided into the functional, the users and the contextual group.

First of all the *users requirements* will be assessed. The users of the system will be the general manager of the company and any other person who will be responsible for the conduct of appraisal meetings, and at the other hand, there will be the employees who will be appraised and possibly rewarded in the system. So actually, every person in the company is a user. This does not mean they all have the same requirements for the system. The general manager or other conductor of performance interviews will want the system to have these requirements: the system should be an assistant, not an administrative burden; the past performance of an employee should be viewable at a single glance; employee performance should be viewable for very specific qualities; it should have reminders of when to have performance interviews; a possibility should be there to make notes that the employee does not see; the program has to be accessible from every working place;

Then, from the point of view of the employees, these requirements were the most common: the system should make clear what to improve in performance, and what are strengths; the system has to be informative, yet not the first to give the information; it should be a system of reference when needed, not a guiding tool; an employee should be able to view all the appraisals as soon as possible

Here it shows that some of the requirements seem to contradict each other, while there are possible solutions. An example of this is the requirement to see very specific information about the performance of an employee, but also that the overall performance should be viewable.

The second group is that of the *functional requirements*. These are deduced from the earlier stated goals. For this reason they are also divided into groups as they can be viewed per goal.

The first goal is the 'gaining insight in qualities of individuals': set up a list of competencies that employees have, and specify to those competencies contributing to the company's processes; the competencies that will be assessed should be determined specific per designation; make these competencies testable and ready for quantified results.

The second goal is 'achieving a fair basis for salary calculation': results should be easy to compare for a larger number of employees; a fair basis implies that an objective view of the qualities should be achieved; a financial expression of what a person's salary should be considering his/her achievement.

For the third goal, 'calculate salaries for employees', the functional requirements are: knowledge of salaries in comparable organisations for being competitive in the job market; a logical and above all systematic calculation tool and formula for salary calculation; the calculation should be based on the competencies of employees.

Goal number four, 'tracking results of appraisal meetings' has the following requirements: a database in which appraisal forms can be added, viewed, edited, deleted, etc.; a visual representation (graph form) of performance development; appraisal forms should be viewable by employees as well as by the manager.

The last goal, 'being an assistant to the HR manager', is less specific than the previous goals, but will need requirements nonetheless. These points have been identified: the work done for the information in the application should be efficient, meaning that gathering of useless information should be avoided; well-organised information should provide a preparation for every appraisal meeting; employees should be kept informed on-the-job about their performance, so that an appraisal meeting will not bring any surprises.

The third group will finalise the requirements that are set in stage 2. This group holds the contextual requirements. In this case, there are no governmental rules, laws or political debates that influence the creation of the design. This means that the context in which the project should be viewed is more a case of software specifications and situational aspects. These requirements will be used: the program should be a web-application; it should be written in a coding language that the company itself can construct; the program should be able to deal with as many employees as possible; the application should be well-protected, as it contains personal information; all the information in the application should be in English, and salary information in Indian Rupees.

After this long list of requirements, a similar list can be constructed of the assumptions for the application. Again, these are divided into *users assumptions*, *functional assumptions* and *contextual assumptions*. Because one can make an almost unlimited list of assumptions used for the process, the decision has been made to report only those that were important to mention and think about in the creation of the application.

The *users assumptions* will hold the following aspects: all users know how to use a web application (password & username); all users have general computer skills; all users speak and read English; motivation to use the application is present in the employees and managers (the value of the application is appreciated); users believe in the fairness of the reward system.

The *functional assumptions* that will be used are: HR management needs an assistant for better HR functionality; it is useful to look at the progress of an employee to assess his/her performance; quantified performance management forms are the fairest method of comparing performances; a computer program contributes to making the model more systematic than on paper; the company has the ability and knowledge to create the application by itself.

And finally, the *contextual assumptions* for the application: there are no laws interfering with the creation of such an application; the creation of the application will have no or a negligible effect on the environment; there is no political significance of the application; information stored in the program can be interesting for competitors, hackers and alike.

This enumeration of requirements and assumptions is necessary in the process that is described, but due to the length of the research, these requirements and assumptions will not be explained per piece. This would need a lengthy assessment which is not constructive for the main goal of the research identified at the start of the thesis.

Stage 3. **Structural specifications.** In this stage the requirements and assumptions will help to set the structure of the application, and the characteristics, parts and aspects that the application needs. This process will be thoroughly described in chapter 4 and 5.

Stage 4. **Prototype.** This stage is the last stage that has only been partly executed within the timeframe of this research. A working online version of the application was tested by several software developers, the HR manager and me as the researcher. The results of this stage are shown at the end of Chapter 5, in which a description is given of what the prototype is able to do. Because only part of the application was ready at that time, it is not a full prototype, but only of those parts that were available

Stage 5. **Implementation,** and Stage 6. **Evaluation.** These stages have not been executed because there was not enough time. At the end of the research project, parts of the application were ready for use, but the full implementation of the project was not yet achievable. For this reason there is no data about this stage, and the stage cannot be discussed. Though evaluation of the project has been done regularly during the project, the sixth stage, which is that of summative evaluation, has not been reached, and will therefore also not be discussed in specific.

4.2 EVALUATION SYSTEM

Evaluations of personnel in Ansh Systems are being done on a regular basis. Each year, an evaluation meeting is conducted based on a performance measurement form. In the form are questions on 'Personal Characteristics', 'Drive Ratings', a strength and weaknesses analysis, and there is space to add technical skills to the desire of the 'principal evaluator'. On the basis of the experiences of two managers - usually one of the two owners and the technical lead - the form is filled, and the employee first gets the chance to evaluate himself. After the evaluation on these points, "(...) a new salary is agreed, which usually means that a raise is given." (Interview with M. Freriksen, 3-3-2010)

4.2.1 COMPETENCIES

To assess the employees, a list of competencies is set up, to which all employees have access. This list consists of four general fields of competence, which are divided into abilities, which are in turn divided into specific competencies. See the next page for the full list.

Table 4.1 Main groups, Abilities & Competencies in Ansh Systems.

| Main Group | Ability | Competency |
|---------------------------------|-----------------------------|---|
| <i>Quality</i> | Communication | Written client communication |
| | | Spoken client communication |
| | | Written internal communication |
| | | Spoken internal communication |
| | | Clear expression of ideas and concerns |
| | | Speaking and writing confidence |
| | Technical qualities | Meeting requirements |
| | | Generic coding |
| | | Modular development |
| | | Structure and layout of coding |
| | | Coding simplicity |
| | | Security of design |
| | | Applying company standards |
| | | Applying other applicable standards |
| | | Database knowledge |
| | | Out of the box thinking |
| | Learning ability | Cognitive ability |
| | | Need of examples |
| | | Being open to new ideas and suggestions |
| | Employee management | Allocation of resources |
| | | Specification of tasks |
| | | Recognising signals |
| | | Planning skills for tasks |
| | Leadership | Downward communication |
| | | Delegating |
| | | Being the example |
| | | Team encouragement |
| Sharing information | | |
| Teaching ability | | |
| Being the guide | | |
| Performance evaluation capacity | On-time evaluation | |
| | Quality of evaluations done | |
| <i>Planning</i> | Planning | Making milestones |
| | | Planning conceptual work |
| | | Living up to planning |
| | | Prioritisation |
| | | Productivity |
| <i>Business Logic</i> | Professional attitude | Knowledge sharing |
| | | Asking questions when needed (pro-activity) |
| | | Team role fulfilment |
| | | Fitting to corporate culture |
| | | Resourcefulness |
| | | Team acceptance |

| | | |
|----------------------------|-----------------------------------|---|
| <i>Internal discipline</i> | Translating customer requirements | Understanding client requirements (Timely) communication to developers |
| | Discipline on internal processes | Making back-ups Following internal documentation Timely informing on results Use of leaves and informing on leaves Use of sick leaves |
| | Sincerity | Committing to promises |

4.2.2 SELECTION PROCESS AT ANSH SYSTEMS

Though the organisation has only 20 employees, there has been dealt with a large number of applications in its history. When an open position is announced through the usual channels (which is mainly an e-recruitment website, Naukri.com), the number of applications received has always proved to be very large. The applicants then go through into processes to estimate their abilities and fit with the company. The first step in the process is the first call that is done by the office manager, a person who is not a technical expert, but rather a jack-of-all-trades, and has some experience in recruitment. This person assesses the quality of English of the applicant, and gathers information as current employment & salary, expected salary, notice period and additional remarks that the applicant believes can be important for selection.

In the second round (the number of applicants has now dropped considerably) a meeting with the technical architect and the office manager is scheduled, and the technical abilities as well as the communication skills of the applicant are assessed in this meeting. Through a written technical test, additional information is gathered on the applicant's knowledge of software development.

The third round occurs only if time permits or if there is still uncertainty about the qualifications and abilities an applicant has. This round can be done with either one of the two general managers, or with a technical back-up, the brother of the technical architect, who works in the same field in the USA.

The final round is the negotiations on the terms of a contract. This is primarily done by one or both of the general managers, or by the technical architect when the general managers are not available.

During these rounds, the aspects that are being assessed are listed below.

- Education*
- Experience in field*
- Communication*
- Technical designing*
- Technical coding*
- Database knowledge*
- Learning ability*
- CTC expectancy*
- Notice period*
- Fitting to corporate culture*
- Sincerity*

For all clarity, this is not a list that is being used by the company, but a list that is the result of interviews with one of the general managers, the technical architect and the office manager.

The whole process of recruitment is not very fast, and it varies per applicant who judges him or her. Together with the absence of a clearly defined process of recruitment with steps to follow and especially competencies to assess in an applicant, leads to an unsuccessful selection process.

There are many differences between what are the main competencies that are needed from an applicant and the competencies that can be assessed in employees. The majority of these differences lies in the ability to assess employees over time, and applicants can only be assessed at a given moment. Still, the aspects that are being assessed in applicants can be used to assess employees, and especially their progress, as they are very suitable for quantitative data that is gathered with little time needed.

4.2.3 DESIGN OF A NEW SET OF COMPETENCIES

The assignment of the company included that a more structured approach of evaluations was to be achieved. The management of the company wanted this to be done through a list of competencies that were important for all employees. After criticism, it was agreed that separate lists were constructed, one of competencies that should be present in all employees, and for every position a list of competencies that are position-specific. Because of the size of the list, it was decided to create levels to provide more insight to the users of the list. The most specific level is that of the *competencies*, which are grouped under *abilities*, and these are grouped under *main groups*. There are four main groups: Quality, Planning, Business logic and Internal discipline.

The first group, Quality, is about those competencies that contribute to being competent in your primary responsibilities. The abilities that are concerned with this are: Technical qualities, Communication, Learning ability, Employee management, Leadership and Performance evaluation capacity. In the competencies associated with these abilities aspects like client communication, the meeting of requirements, design security and being open to suggestions and new ideas.

Table 4.2 Main group 'Quality'.

| Main Group | Ability | Competency |
|------------|---------------------|--|
| Quality | Communication | Written client communication |
| | | Spoken client communication |
| | | Written internal communication |
| | | Spoken internal communication |
| | | Clear expression of ideas and concerns |
| | | Speaking and writing confidence |
| | Technical qualities | Meeting requirements |
| | | Generic coding |
| | | Modular development |
| | | Structure and layout of coding |
| | | Coding simplicity |
| | | Security of design |
| | | Applying company standards |
| | | Applying other applicable standards |
| | | Database knowledge |

| | | |
|---------------------------------|--|---|
| | | Out of the box thinking |
| Learning ability | | Cognitive ability Need of examples Being open to new ideas and suggestions |
| Employee management | | Allocation of resources Specification of tasks Recognising signals Planning skills for tasks |
| Leadership | | Downward communication Delegating Being the example Team encouragement Sharing information Teaching ability Being the guide |
| Performance evaluation capacity | | On-time evaluation Quality of evaluations done |

The second main group is Planning, this group was deemed to be equally important as the other three groups, though it has only one ability, the planning ability. Secondly, it has a great importance in identifying the good employees from the bad in India, as there is a great importance in time management, as many times it has been said that this is a weakness of Indian employees (see for example Prins, 2004). For the company this is an important aspect of professionalism of employees.

Examples of competencies in this ability is the planning of work, living up to the own planning and prioritisation of tasks.

Table 4.3 Main group 'Planning'.

| Main Group | Ability | Competency |
|-----------------|----------|--------------------------|
| <i>Planning</i> | Planning | Making milestones |
| | | Planning conceptual work |
| | | Living up to planning |
| | | Prioritisation |
| | | Productivity |

The third group is one that was especially important for the general manager of the examined company. The concept of being able to think in a cooperative way with the organisation or a client is called Business logic. Because one of the company's goals was to differentiate itself from competitors by participating in the thought process of customers, this is seen as a competency group with big importance. Because the labour market in India is flooded with qualified professionals, there is growing importance in differentiating employees not only on their primary qualities, but also on their Business logic.

The abilities associated with this group are the professional attitude of the employee and translating of customer requirements towards tasks, goals and results for themselves and subordinates. Sharing of knowledge, recognising and fulfilling a role in the team, resourcefulness

and pro-activity are all competencies that construct the judgement on the professional attitude. Translating customer requirements can only be judged by assessing the employee's understanding of the client's requirements and the communication towards other employees.

Table 4.3 Main group 'Business Logic'.

| Main Group | Ability | Competency |
|-----------------------|-----------------------------------|---|
| <i>Business Logic</i> | Professional attitude | Knowledge sharing |
| | | Asking questions when needed (pro-activity) |
| | | Team role fulfilment |
| | | Fitting to corporate culture |
| | | Resourcefulness |
| | | Team acceptance |
| | Translating customer requirements | Understanding client requirements |
| | | (Timely) communication to developers |

The last group is that of internal discipline. This group is closely linked to the ability of having a professional attitude, yet is more of a form that is meant to judge if an employee complies with company regulations, use of leaves and following the procedure on back-ups. These competencies are grouped under the ability discipline on internal processes, while the ability sincerity is judged by a single competency, which is best explained as the degree to which agreements can be made with the employee, and how he or she performs on these agreements.

Table 4.4 Main group 'Internal discipline'.

| Main Group | Ability | Competency |
|----------------------------|----------------------------------|---------------------------------------|
| <i>Internal discipline</i> | Discipline on internal processes | Making back-ups |
| | | Following internal documentation |
| | | Timely informing on results |
| | | Use of leaves and informing on leaves |
| | | Use of sick leaves |
| | Sincerity | Committing to promises |

4.2.4 ANALYSIS OF THE DESIGNATIONS AND TASKS

The company now is working with designations that are common in the work field. Employees consider their designation an important point of their contract. Because of this there is currently a great diversity of designations, ranging from a software developer to an office manager, team manager or project manager. This had to be structured too, in order to not make a reward system unnecessary hard to fit to all different designations. The new system of designations will consist of the following positions. The descriptions that are given are meant to describe the designations as accurate as possible, not to prescribe the responsibilities for employees. Also, it is possible to combine several designations in one position, for example those of project manager and technical lead.

Table 4.5 Designations, Responsibilities and Skills in Ansh Systems.

| Designation | Responsibilities | Skills needed |
|---------------------|--|---|
| Project manager | <ul style="list-style-type: none"> - Responsible for full team's performance / end product - Planning of projects - Communication with all who are involved in a project - Supervision of roles / performance evaluations - Resource allocation - Sick & leave management | <ul style="list-style-type: none"> - Employee management - Leadership - Planning ability - Downward communication - Project management - Performance evaluation ability |
| Project coordinator | <ul style="list-style-type: none"> - Monitoring of projects - Communication with all who are involved in a project - Evaluation of team members | <ul style="list-style-type: none"> - Employee management - Leadership - Performance evaluation ability |
| Technical lead | <ul style="list-style-type: none"> - Internal counseling on technical possibilities - Train product engineers on technical subjects where needed - Advise on planning for technical activities by estimations - Making designs for software - Creating software applications - Monitoring quality of product | <ul style="list-style-type: none"> - Having superior technical knowledge in the company - Being able to share information - Good internal communication skills - Design on a high level of quality |
| Product engineer | <ul style="list-style-type: none"> - Creating software applications in accordance to quality standards of the company - Plan work well, do not exceed deadlines - Have business logic, co-operate to achieve the goal of the customer | <ul style="list-style-type: none"> - Good and up-to-date technical knowledge - Planning skills to make deadlines - Having business logic |
| Business analyst | <ul style="list-style-type: none"> - Making offers to potential customers - Understanding customer's requirements - Checking technical possibility to answer customer demand | <ul style="list-style-type: none"> - Customer relationship communication skills - Beginner technical knowledge of possibilities - Having Business Logic, knowing what you can offer the customer, and how it can help them |

Project Manager

The project manager is the first responsible for a team, and is only supervised by the General Managers / owners of the company. This person receives input from clients and a business analyst and sets out the steps that need to be taken in order to come to the final result. The allocation of different resources (employees, hardware, software), and also the supervision of the use of these resources are among his/her tasks. As shown in the list, skills needed are leadership, people management, ability to plan, but also the ability to evaluate subordinates.

Project Coordinator

The project coordinator is an additional layer that is used if needed in a project team. This is usually an addition to another designation, for example a senior product engineer can function

as the project coordinator in a larger project, to assist the project manager and help guide the team members on their tasks. Though the responsibilities are less than those of a project manager, the employee who fills in this designation should possess employee management, leadership and performance evaluation skills, be it that these are not required to be as good as those of this project manager.

Technical Lead

An oracle on technical possibilities and information would be a good name to describe the technical lead. This person is someone with great experience in the technical field and has the ability to communicate and share this experience. On managerial tasks, the technical lead will usually only be used to advise on matters that cannot be judged by the project manager and/or coordinator. This way, the technical lead can spend his/her time on coaching and training of employees, but also design and make the software.

The technical lead must be able to communicate well with the employees, though there is little to no communication with clients. On the technical field, he/she must possess superior knowledge in the company.

Product Engineer (Junior, Medior, Senior)

The people who execute the programming and coding of the product on a daily basis are the product engineers or software engineers. They can be divided into three groups, which are based on their level of experience and their overall performance: juniors, mediors and seniors. The product engineers are the largest group of employees in the company, and are the focus of the evaluation forms.

A product engineer is responsible for his own deadlines, though they will commonly be set by the project manager with some involvement of the product engineer him/herself. It is important that a product engineer is technically capable to code correctly, plans his work correctly and can think in a broader sense than solely his own goals.

Business Analyst

The designation of business analyst is meant to be a buffer between the technicians and the customers. This person is responsible for finding new markets or customers and communicates intensively with these customers. Primarily it is important that he/she can handle external communication. Because a business analyst will usually not have much technical knowledge, it is important that he/she can interact easily internally too. In this designation, business logic is appreciated more than in the others, as it is seen as one of the main tasks of the designation. It is also possible that the task of business analyst is added to a person that is primarily a project manager or a (senior) product engineer.

4.2.5 SETTING STANDARDS FOR THE EMPLOYEES

Now that we know which competencies will be judged in which positions or designations, it is time to set standards for the performance of the employees. In the system that has been set up, grades from one to ten will be given for each competency, which can then be averaged for abilities and subsequently for main groups. If needed, weighted averages can also be used to put an emphasis on certain competencies from an ability. Next to these quantitative results, the recommendation was made to include qualitative data too, in this case in the form of optional comments to each competency, but also to each ability and main group as a whole.

Through the interviews with the general manager and the technical architect, the competency list can be updated with the designations and standard requirements for the applicable competencies.

Table 4.6 Performance measurement standards per designation

| Main Group | Ability | Competency | PM | TL | PEj | PEm | PEs | PC | BA |
|-----------------------------------|--------------------------------------|---|----|----|-----|-----|-----|----|----|
| Quality | Communication | Written client communication | 8 | 7 | 5 | 7 | 8 | 8 | 9 |
| | | Spoken client communication | 7 | 7 | 4 | 5 | 7 | 7 | 9 |
| | | Written internal communication | 8 | 7 | 6 | 7 | 8 | 8 | 7 |
| | | Spoken internal communication | 9 | 8 | 6 | 7 | 8 | 8 | 7 |
| | | Clear expression of ideas and concerns | 8 | 8 | 5 | 6 | 7 | 8 | 7 |
| | | Speaking and writing confidence | 9 | 9 | 6 | 7 | 8 | 8 | 8 |
| | Technical qualities | Meeting requirements | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| | | Generic coding | 6 | 8 | 7 | 8 | 9 | 7 | |
| | | Modular development | 6 | 8 | 7 | 8 | 9 | 7 | |
| | | Structure and layout of coding | 6 | 8 | 7 | 8 | 9 | 7 | |
| | | Coding simplicity | 6 | 8 | 7 | 8 | 9 | 7 | |
| | | Security of design | 6 | 8 | 7 | 8 | 9 | 7 | |
| | | Applying company standards | 7 | 7 | 7 | 7 | 7 | 7 | |
| | | Applying other applicable standards | 7 | 8 | 7 | 7 | 7 | 7 | |
| | | Database knowledge | 6 | 8 | 6 | 7 | 8 | 7 | |
| | | Out of the box thinking | 7 | 8 | 4 | 6 | 7 | 7 | |
| | Learning ability | Cognitive ability | 7 | 7 | 8 | 7 | 7 | 7 | 7 |
| | | Need of examples | 8 | 8 | 5 | 6 | 8 | 8 | 7 |
| | | Being open to new ideas and suggestions | 7 | 8 | 8 | 8 | 7 | 8 | 7 |
| | Employee management | Allocation of resources | 8 | | | | | | |
| | | Specification of tasks | 8 | | | | | | |
| | | Recognising signals | 8 | | | | | 7 | |
| | | Planning skills for tasks | 8 | | | | | | |
| | Leadership | Downward communication | 8 | | | | | | 7 |
| | | Delegating | 7 | | | | | | |
| | | Being the example | 7 | 8 | | | | | 8 |
| | | Team encouragement | 8 | 6 | | | | | 7 |
| | | Sharing information | 7 | 8 | | | | | 8 |
| | | Teaching ability | | 8 | | | | | 7 |
| | | Being the guide | | 8 | | | | | 7 |
| Performance evaluation capacity | On-time evaluation | 8 | 8 | | | | | | |
| | Quality of evaluations done | 8 | 7 | | | | | | |
| Planning | Planning | Not exceeding deadlines | 8 | 8 | 6 | 7 | 8 | 8 | 7 |
| | | Planning conceptual work | 8 | 8 | 4 | 6 | 7 | 7 | 7 |
| | | Living up to planning | 8 | 8 | 6 | 7 | 8 | 8 | 7 |
| | | Prioritisation | 8 | 8 | 6 | 7 | 8 | 8 | 7 |
| | | Productivity | 7 | 8 | 6 | 7 | 8 | 7 | 8 |
| Business Logic | Professional attitude | Knowledge sharing | 7 | 8 | 5 | 6 | 8 | 7 | 8 |
| | | Asking questions when needed (pro-activity) | 7 | 7 | 8 | 7 | 7 | 8 | 8 |
| | | Team role fulfilment | 7 | 8 | 6 | 7 | 7 | 7 | 7 |
| | | Fitting to corporate culture | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| | | Resourcefulness | 7 | 8 | 5 | 6 | 7 | 7 | 8 |
| | | Team acceptance | 6 | 8 | 5 | 7 | 7 | 7 | 7 |
| Translating customer requirements | Understanding client requirements | 7 | 8 | 5 | 6 | 7 | 8 | 9 | |
| | (Timely) communication to developers | 8 | | | | | 7 | 8 | |
| Internal discipline | Discipline on internal processes | Making back-ups | 7 | 8 | 7 | 7 | 7 | 7 | 7 |
| | | Following internal documentation | 7 | 7 | 8 | 7 | 7 | 7 | 7 |
| | | Timely informing on results | 7 | 8 | 6 | 7 | 7 | 7 | 7 |
| | | Use of leaves and informing on leaves | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| | | Use of sick leaves | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| Sincerity | Committing to promises | 7 | 7 | 7 | 7 | 7 | 7 | 7 | |

4.2.6 CONCLUSION

The evaluation system at Ansh systems has been structured by following the leads of the involved managers and the researcher's own ideas. This has led to the setup of standards that allow evaluators in the company to evaluate employees easier on four main groups and their corresponding abilities and competencies. A basis has been laid for the creation of a piece of software.

An important aspect what this model achieves, is that all evaluators of employees will evaluate the same aspects of the employees, and that therefore the system is more fair than the before-used intuitive system. Secondly, it is much clearer for employees what is expected from them through studying the list, and if in the future weights would be applied to the averages, this would contribute to priorities that management has in the tasks of the employees. What might be problematic in the design, is that there is still room for difference between two evaluators, as there is no direct ground for grades given. Subjectivity is still a large threat to the system. The grades might therefore differ between different evaluators. At this time, this would not prove to be a problem, as there are only two to three persons that conduct evaluations, with one main evaluator, but when this number grows larger, it could be necessary to set up operational standards for grading. An example of this is that written client communication is judged through the number of mistakes made in the communication an employee has: 10 = very few to no mistakes found in communication; 9 = very few major mistakes found in communication; 8 = few minor mistakes were found in communication; 7 = minor mistakes are common, major mistakes not to very few found, etc. In the light of this research, this was considered to be too specific to design given the limited amount of time.

4.3 REWARD POLICY

After assessing the performances of employees as this is done through the evaluation system, it is useful to try to improve the weaker performers, and reward the strong performers. This is the way individual motivation can be created in employees, and through which a company can align its own goals with the goals of these employees.

4.3.1 COMPARATIVE SALARY POSITION, A FINANCIAL REWARD SYSTEM FOR ANSH SYSTEMS

The financial rewards of Ansh Systems in the future will be based on a reward system. With the help of this reward system and good quantified evaluations, structure will be made in the process of rewarding, and the system will be more fair for all involved. The system can also be used during recruitment to assess the abilities of applicants, and offering a 'company standard salary'. With the help of percentage classes (CSP), an employee can also know how he ranks against the company standard and what the matching salary scale is.

The CSP is an index which is constructed around one single salary for each position. Table 4.7 shows these salaries, called the CSP100. This salary is the base for the calculation of individual salaries.

Table 4.7 Positions and CSP100 salaries

| Position | Suggested CSP100 in Rupees per month |
|---------------------------------|--------------------------------------|
| <i>Eastern Enterprise</i> | |
| Product Engineer - Junior | 20.000 |
| Product Engineer - Medior | 30.000 |
| Product Engineer - Senior | 45.000 |
| Project Coordinator (part-time) | + 10.000 |
| Project Manager | 75.000 |
| Technical Lead | 60.000 |
| Business Analyst | 30.000 |
| <i>Bluzor</i> | |
| Accountant - Junior | 15.000 |
| Accountant - Medior | 25.000 |
| Accountant - Senior | 35.000 |
| Project Coordinator (part-time) | +10.000 |
| Accounting lead | 50.000 |
| Business Analyst (part-time) | +10.000 |

After determining the CSP100 for an individual, it is good to note that different people have different performances, and should therefore be rewarded differently. Each grading level has its matching 'Performance rating', ranging from 'Very low' to 'Very good'. See table 4.8 for details on this conversion.

Table 4.8 Conversion of Grading to Performance rating

| Grading average | Performance rating |
|-----------------|--------------------|
| 0-5 | Very low |
| 5-6 | Below average |
| 6-7 | Average |
| 7-8 | Good |
| 8-10 | Very good |

Finally, after determining the 'Performance rating', the last step is to determine the financial reward that an individual may or may not receive for his/her performance. In Table 4.9, it shows the matching number of percentage points the employee's CSP will rise, derived from the 'current CSP' and the 'performance rating'.

Table 4.9 Change Percentage in CSP

| Current CSP | Performance rating | | | | |
|-------------|--------------------|---------------|---------|------|-----------|
| | Very low | Below average | Average | Good | Very Good |
| 70 - 74,5 | - | 5 | 7 | 10 | 15 |
| 75 - 79,5 | - | 3,5 | 6 | 9 | 13 |
| 80 - 84,5 | - | 2 | 5 | 8 | 10,5 |
| 85 - 89,5 | - | 1 | 4 | 7 | 9 |
| 90 - 94,5 | - | - | 3 | 6 | 8 |
| 95 - 99,5 | - | - | 2 | 5 | 7 |
| 100 - 104,5 | - | - | 1,5 | 4 | 6 |
| 105 - 109,5 | - | - | - | 3,5 | 5 |
| 110 - 114,5 | - | - | - | 2,5 | 4 |
| 115 - 119,5 | - | - | - | 1 | 3 |
| 120 - 124,5 | - | - | - | - | 2,5 |
| 125 - 130 | - | - | - | - | 2 |

To clarify the system, here is an example:

Person X applies for a position as a 'Medior Product Engineer', and is accepted and both parties have agreed a starting CSP of 80. In the first year, person X makes thus 80% of INR 30.000,- being INR 24.000,-. After the first year, the final evaluation of the year has an average of 7,2 and therefore the performance rating for person X is determined as 'Good'. In the table it shows that for a CSP of 80 and a 'good' performance, a raise of 8 percentage points is granted. Therefore the CSP for the coming year for person X will be 88, and the salary will be (88% of INR 30.000) INR 26.400.

4.3.2 OTHER REWARDS

Next to the new system that is developed for financial rewards, there are also other sorts of rewards that can be identified in the company. The most common reward that is used is responsibility or autonomy. If an employee has performed well in one project, it is an option to give this person more responsibilities, for example let him give a training on a new subject, or give him more time to spend on testing new software applications or technologies.

A second possible reward would be promotion. Promotion options can also motivate employees, but in the case of Ansh Systems, this is very limited because the company is so small. Only few career options can yet be found internally. Management does not want to stand in the way of personal development though, and make clear to employees that when there are external

opportunities that will be better for their career, they will help them to achieve these higher goals.

Small awards are given as a final form of reward. After completion of any project, a cake is served to the whole company to celebrate. In a few cases, employees have received a special gift (an engraved pen) for their performance. There is no award for employee of the week/month/year, but the award of this special gift can be seen as a comparable way of putting someone on a pedestal.

4.3.3 CONCLUSION

After the design of the financial reward system, more clarity is provided towards the employees and towards the company. An employee can see how he/she performs in the team, because a CSP of 100 should be the average for the company, and if you have a CSP of for instance 120, you perform much better than the average. Because of the raise percentages that are directly matched with the performance, it can motivate employees to work harder and show more initiative.

What needs to be considered is that financial rewards are only one part of a whole range of rewards that can be used to motivate employees. The designed system can therefore be considered as a first step towards a full reward system, in which for example a promotion system and/or awards for employee of the month/year, and many more systematic approaches for rewards can be included.

4.4 A WEB-APPLICATION FOR EVALUATIONS

Now that there is a model that is capable of evaluating employees, and matching this to their previous performances in order to come to a reward, the next step is to convert this system into a piece of software capable of making the whole process automated. The reason for the wish to have the process automated, is that it would require a lot less time and energy to maintain an evaluations and rewards system when this can be done online, and would give a lot more insight to employees about their own performance if this would be made accessible to them.

So there are two parties benefiting from the implementation of the model in a piece of software: managers who execute HR-tasks, in specific the evaluators, and on the other side, the employees.

In this chapter, we discuss the steps that have been taken to make the software contribute to both stakeholders' interests, and more clearly inform all involved persons about individual performances.

4.4.1 STEP 1. DEFINING THE USERS OF THE APPLICATION

In the application, three roles will be distinguished, that of *administrator*, *employee* and *evaluator*.

Defining the roles is important for security of the data, and adjusting the data that is displayed on the screen to the viewer.

Administrator

This role will have all access to all possibilities and screens of the whole application. The administrator will be able to add, edit, disable and delete all evaluators and employees of the application.

Employee

Every user but the administrator will in principle be an employee. An overview screen of the evaluations and progress will be displayed after login, so each employee can track his/her own performances.

Evaluator

The evaluator will have access to information screens of employees he/she evaluates. Every employee can be made evaluator of another employee, including himself, but only the administrator is able to check boxes of which employees will be evaluated by which user.

Coordinator

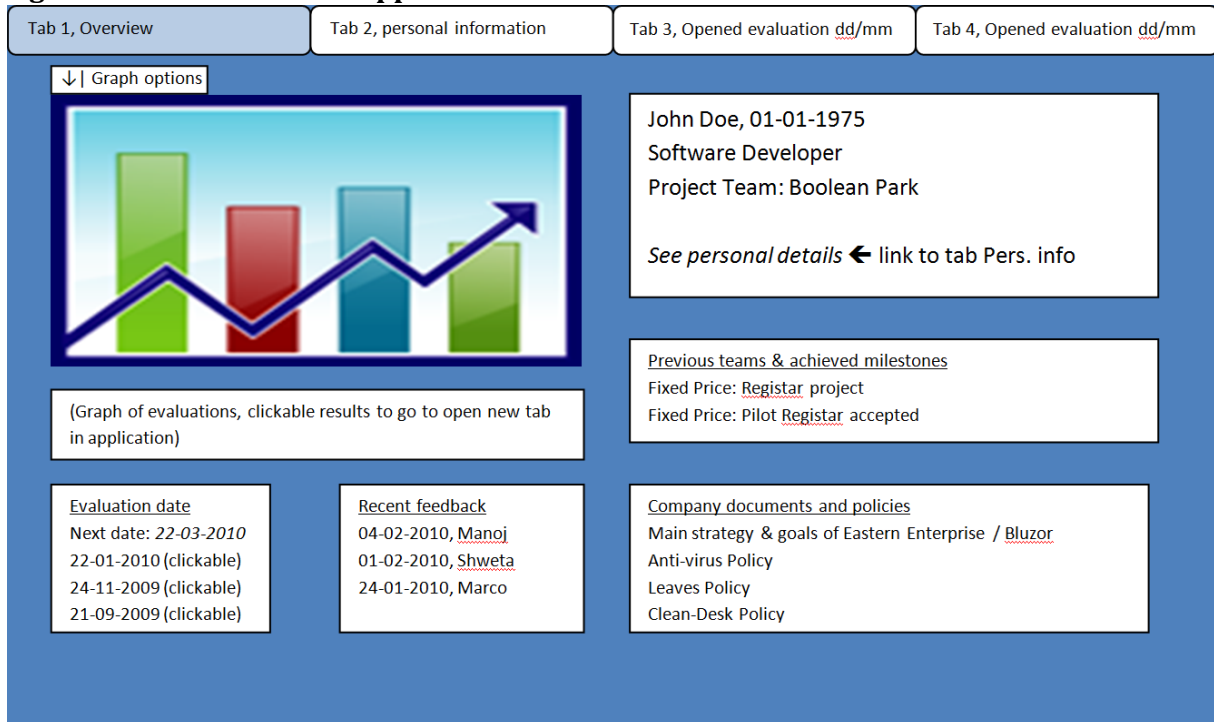
In case there is more than one evaluator for an evaluatee, it is necessary that one person, the 'coordinator', grades the employee him/herself, considers the other evaluators' comments and grades, and concludes to one evaluation. Each evaluatee can thus have only one coordinator.

The coordinator will have access to exactly the same information about the evaluatee as to which the evaluators have access to. The difference lies in that after the confirmation of an appraisal form constructed by the coordinator, the evaluatee will be able to see his/her evaluation.

4.4.2 STEP 2. PROPOSING THE TABS, THE VISUAL ELEMENTS AND THE FUNCTIONALITY

In this step, the visual presentation of the program was handled. Which functionality is put in which screen, to which screen has an employee access, and which are accessible to an evaluator? When all these options were decided, a home screen was proposed as shown in figure 4.1.

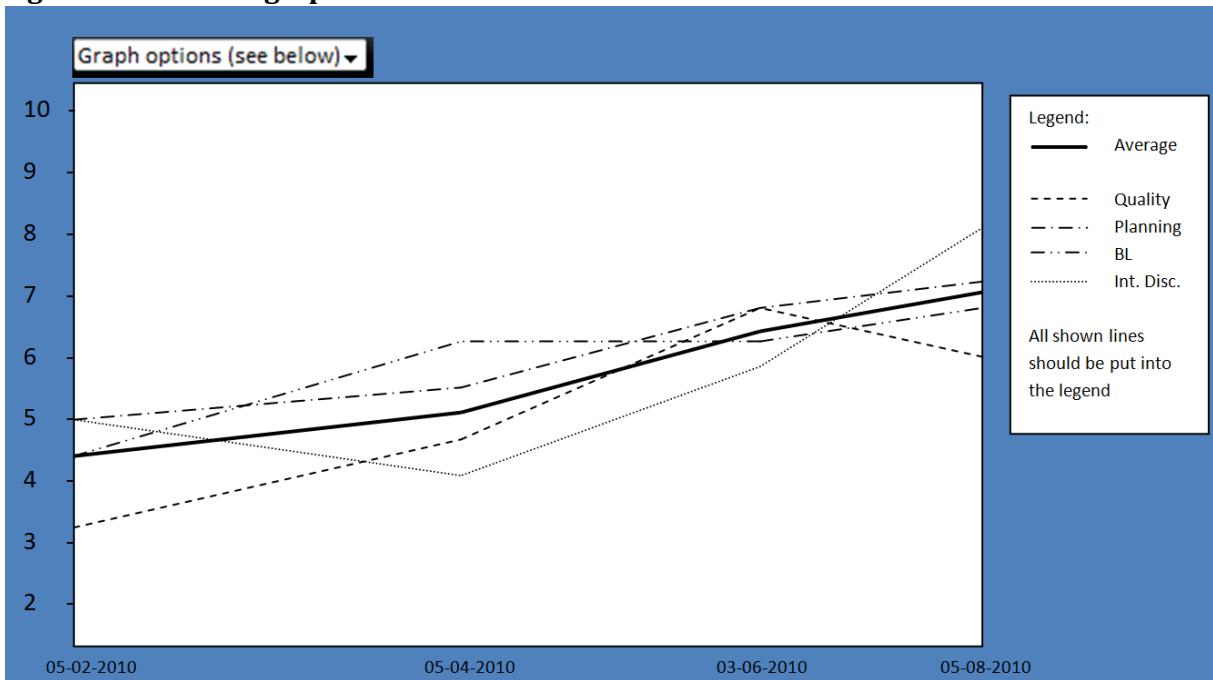
Figure 4.1 Home screen of application



The home screen is the first screen an employee sees when he/she logs on. It shows in brief the personal information (top right), finished tasks (middle right), company documents (lower right), a graph which shows progress in performance (top left) links to previous evaluations (lower left) and links to feedback from specific evaluators (lower middle).

The reason that there are so many components in one screen is that the most important tasks can all be started from this screen. Through logging on, and one look, an employee can see if there are new evaluations, what his/her progress is and click on important links for documentation or feedback.

Figure 4.2 Detailed graph



After clicking on the graph, a detailed version of the same graph should be displayed, and this would look as shown in figure 4.2. Through a drop-down menu, detailed competencies, abilities and main groups can be chosen to be shown in the graph on the same timeline.

Figure 4.3 New evaluation form screen

Tab 1, new evaluation

Evaluation by: [automatic username of creator] on [automatic date]
 Evaluatee: [automatic username of evaluatee]
 Concerning time period of: [clickable calendar dd/mm/yyyy to dd/mm/yyyy]
 Position: [automatic fill-in]
 CSP: [automatic] Salary in INR per year: [automatic]

Start of table

| | | | |
|-----------|-----------------|--|---|
| Quality | Communication | Written client communication | [choose 1 to 10 or N.A.] ['comment' button] |
| [comment] | [comment] | Spoken client communication | [choose 1 to 10 or N.A.] ['comment' button] |
| | | Written internal communication | [choose 1 to 10 or N.A.] ['comment' button] |
| | | Spoken internal communication | [choose 1 to 10 or N.A.] ['comment' button] |
| | | Clear expression of ideas and concerns | [choose 1 to 10 or N.A.] ['comment' button] |
| | | Speaking and writing confidence | [choose 1 to 10 or N.A.] ['comment' button] |
| | Technical Qual. | Meeting Requirements | [choose 1 to 10 or N.A.] ['comment' button] |
| | [comment] | Generic coding | [choose 1 to 10 or N.A.] ['comment' button] |
| | | Modular development | [choose 1 to 10 or N.A.] ['comment' button] |
| | | Structure and layout of coding | [choose 1 to 10 or N.A.] ['comment' button] |
| | | Coding simplicity | [choose 1 to 10 or N.A.] ['comment' button] |

Figure 4.3 shows the evaluation form as it is proposed. The whole system as described before with quantifiable results is put into a database function, from which an evaluator can choose the grades he/she finds appropriate to the evaluatee. There is room for comments by the evaluator,

and the evaluator can also choose whether the competency is applicable or not. On top of the screen some key administrative information will be shown or editable for adjusting.

4.4.3 STEP 3. MAKING THE FIRST PROTOTYPE

After the proposal, the technical experts could start their work, and a prototype was made. This process needed a considerable amount of planning, which meant that there was frequent communication with the software engineers responsible for the creation of the application.

The screens that were made are only a small part of the work that has been done to make the application. The largest part of work for the application is the database work behind the visual representation, in which the functionalities of the systems are embedded. But, because that is a fairly technical matter which is not of importance to this thesis, it will not be explained in-depth. The main screens of the program and their functionality will be discussed.

Figure 4.4 Evaluation form screen

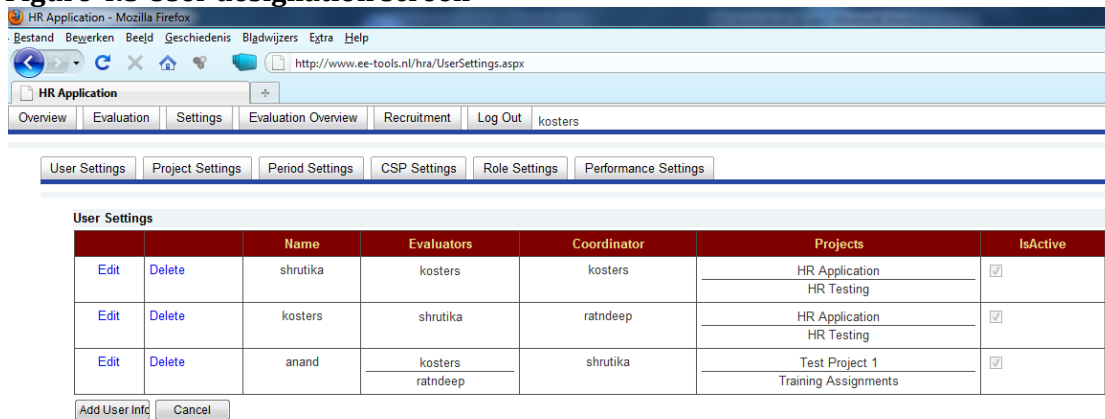
The screenshot shows a web application interface for an evaluation form. At the top, there are navigation tabs: Overview, Evaluation (selected), Settings, and Log Out. Below the tabs, there are form fields for Role (Coordinator), Evaluatee (ratndeeep), Position, and Concerning Time Period (From 01/03/2010 to 01/05/2010). The main content area is a table with the following structure:

| Main Group | | Ability | | |
|--|-------|----------|-------------|--|
| Communication | | | | |
| Competency | Marks | Comments | By Shrutika | |
| Written client communication | NA | | 5 | |
| Spoken client communication | NA | | 5 | |
| Written internal communication | NA | | 7 | |
| Spoken internal communication | NA | | | |
| Clear expression of ideas and concerns | NA | | 6 | |
| Speaking and writing confidence | NA | | 7 | |
| Technical Qualities | | | | |
| Competency | Marks | Comments | By Shrutika | |
| Meeting requirements | NA | | 8 | |
| Generic coding | NA | | 8 | |
| Modular development | NA | | 9 | |

At the bottom right of the table, there are buttons for 'Save Evaluation' and 'Delete Evaluation'.

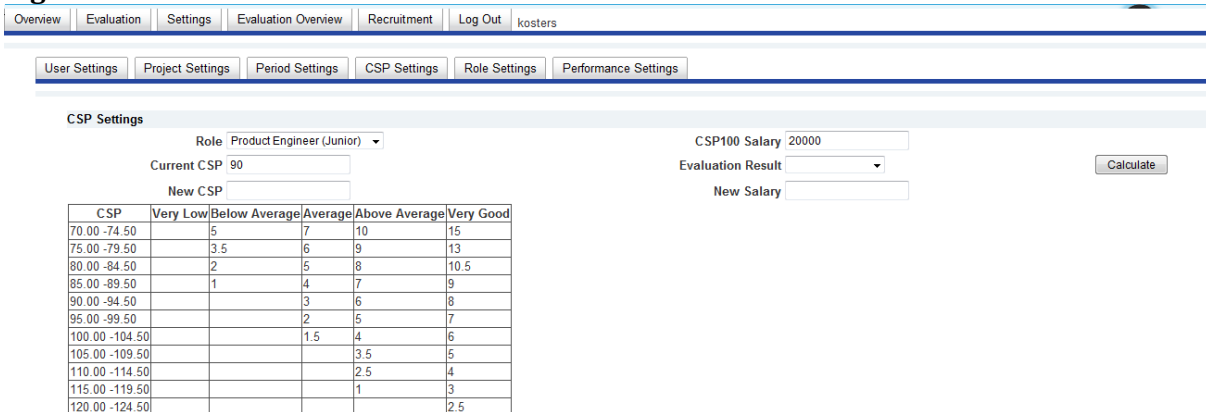
This screen shows the evaluation form as designed on paper in section 4.2, now implemented in a working system which can calculate averages, store the information and has the potential to show progress of the individual. This form is meant to be completed by an evaluator, and this evaluator can only choose among the evaluatees that have been assigned to him/her. The period of evaluation should be specified, and the grades can be given. In this case, there has already been a person, Shrutika, that has done an evaluation, which can be viewed by the currently logged on coordinator. The coordinator can see in one view what 'Shrutika' believes to be the appropriate grade, and what comments she made about the assessed competency.

Figure 4.5 User designation screen



What is shown in figure 4.5. are the roles of the users that are applied to a number of employees. Mister 'Anand' in this example, has 2 evaluators, 'kosters' and 'ratndeeep', and 'shrutika' is his coordinator. Through this screen, it can be set who will evaluate who, but also what the project is that the employees are currently working on.

Figure 4.6 CSP information



The screen shown in figure 4.6 is an important basis to the last screen. The information on which the calculation for the salary can be based is stored here. This is not adaptable for evaluators, coordinators, but only for the administrator, if needed. What is important is that this is only a base of the system.

Figure 4.7 CSP calculation

| CSP | Very Low | Below Average | Average | Above Average | Very Good |
|----------------|----------|---------------|---------|---------------|-----------|
| 70.00 -74.50 | 5 | 7 | 10 | 15 | |
| 75.00 -79.50 | 3.5 | 6 | 9 | 13 | |
| 80.00 -84.50 | 2 | 5 | 8 | 10.5 | |
| 85.00 -89.50 | 1 | 4 | 7 | 9 | |
| 90.00 -94.50 | | 3 | 6 | 8 | |
| 95.00 -99.50 | | 2 | 5 | 7 | |
| 100.00 -104.50 | | | 1.5 | 4 | 6 |
| 105.00 -109.50 | | | | 3.5 | 5 |
| 110.00 -114.50 | | | | 2.5 | 4 |
| 115.00 -119.50 | | | | 1 | 3 |
| 120.00 -124.50 | | | | | 2.5 |

At the end of the research, there was a tool to calculate a new CSP and salary, and this is displayed in figure 4.7. The end result is so that through 1) the designation ('role' in the figure), 2) the current CSP and 3) the appraisal form that has been confirmed in the system, a new salary is determined.

4.4.4 CONCLUSION

As can be seen from the difference between the suggested screens and the 'prototype' screens, a number of proposed aspects did not get implemented in the prototype. Two reasons can apply to these aspects: 1. The time limit did not allow enough technical research into the possibilities to meet the requirements, and 2. The requirements could not be met at all.

The second reason is, in software engineering, usually a matter of time and engineer ability as well. This is because there are countless methods and technologies to construct applications, making a lack of knowledge or time to do research the reason for the inability to do something as a software engineer. This has been observed in the organisation of this research, Ansh Systems.

A prototype should be a first complete version of the product that is to be implemented in the organisation. If this definition is used, the application as it was at the end of the research cannot be named a prototype, because there still was no complete functionality nor Graphical User Interface.

This application is more of a first test version of the technical possibilities of the chosen coding language. Nonetheless, this has proven to be very useful in the identification of problem areas in the design.

5 DISCUSSION & CONCLUSION

This final chapter will conclude the thesis and answer the research questions with the help of the empirical and theoretical findings. The application of the designing cycle to the designing process has been very useful for the analysis, but, as said before, was not used during or before the empirical process.

First, a closer look can be taken at the first sub question: *Which main characteristics of Ansh Systems influence its evaluation system and reward policy?*

The theoretical exploration suggested that aspects of human resource management in BPO's and SME's contradict each other. BPO's are generally strictly organised, rigid organisations, with formalised systems, while SME's aim to be flexible, consider themselves a unique company, where formalised systems will not work appropriately unless adapted to the situation. In Ansh Systems, it is observed that there is indeed a strong owner-manager present, and the uniqueness of the company is also an observed point in the management style. The goal of the research was to design a software application to be used for only this company at first, in which the claim lies that the company is seen as unique. The application should be adapted to the company's wishes, and, as applications available on the market are, not so general in use that the majority of functionalities is useless.

The Indian job market in general is flooded with graduates possessing a master's degree and able to do the job. This ensures a strong position for employers because for every open position there are countless applicants. Another contributing factor to a strong leadership position is the Indian culture, in which a person that is older or in a higher position should be treated with more respect, and their opinions should not be argued with. This strong position of those higher in the hierarchical ladder is not as it has been in the past, because of the influence of western management in the country. Because of the presence of a Dutch owner-manager that does not want to be a authoritarian leader, this is less of a problem in Ansh Systems, though at times, there is still an invisible line that employees do not dare to cross because of this cultural background.

For the evaluation system, it is important that the employees are valued upon more structural tasks, and therefore certain competencies have been added to the list. The competencies 'Generic coding', 'Modular development' and the whole main group of 'Planning' is aimed at making employees work more systematic. To improve the company as a whole, the owner-manager wanted the employees to be evaluated on 'Business logic' too, with which the HRM-strategy gets a focus on client services, the employees should be able to understand what a client wants, how he/she wants it and why. This creates a different need for people than when just the quality of the product matters to the company.

In the reward system, the greatest need was to make this system fairer and based upon a systematic salary construction. This was accomplished through a grading system for the designed evaluation system. The power that an employee has for negotiation at the application is limited, which was mentioned before as too big an influence, and therefore unfair.

The second sub question is: *How should individual performance be evaluated and rewarded in order to improve Ansh's overall performance?*

The answer to this question has been formed in chapter 3, where a research is conducted in theory on the subject. This resulted in the set-up of the design in chapter 4. The main groups in which the abilities are divided are *Quality, Planning, Business Logic* and *Internal Discipline*. The third part of the second question was to develop the reward system, which has been done by

making the 'Comparative Salary Position' system, with which salaries can be coupled to performance evaluations.

The third sub question concerned the specific criteria that are set by the different stakeholders of the system, and is widely enunciated, and applied to the design in chapter 4. The fourth and final sub question is: *What would the empirical design of a performance management & reward system look like? And are there differences with the theoretical design?*

A shortlist of aspects on which the new system can be judged is set up in the conclusion of chapter 3.

First of all, the fairness of the system will be judged.

A fair system would be consistently applied to all employees, and in the design, this is aimed for through adapting the system to each individual designation. Those competencies that are common competencies are evenly judged and reinforced through this method. A fair system should also be free of bias, and this is a aspect that might have been dealt with stronger, but in the light of time restriction, this could not be handled appropriately and will leave room for a further specification. The reason is that there are no specific quantifications given for each competency, and therefore the grade given in the system can be dependent on the grader that executes the appraisal, and a bias can occur. Nonetheless, at this moment, there are only two persons in the organisation that execute the appraisals, and therefore, this has not been a priority of the research.

Accurate assessment of the employees is a goal of the system, and is definitely achievable with the system, and a fairer situation is hence created through the design. If the system is representative of all relevant stakeholders is less easier to answer. Relevant stakeholders are the employee, the organisation as a whole, and indirectly the stakeholders of the organisation. There is an imbalance in their interests, as the appraisal system is designed to serve the organisation's interests. The reward system, on the other hand, is also designed to serve the organisation's interests, but also concerns with how to satisfy the employees. This is because the employees are stakeholders of the organisation, and therefore only indirect stakeholders of the system.

The correctability of the system is very good, as it is very easy to change it. It is implemented in a software application that is mostly correctable with only minor knowledge of software development, and fully correctable with major knowledge. Lastly, the ethical norms of the company are not violated, at least not notably. This is a result of the clearness that is given by the system, and therefore the system will even add to the clarity of the rights of the employees.

Secondly, a closer look will be taken into criteria set by the company characteristics. According to existing theory, empirical suggestions should be used to construct a system that matches with the organisation. This has been done to a great extent, and therefore can be said to have been fulfilled.

Performance criteria should be set and communicated clearly, and the direct supervisor should be communicatively strong. The system will provide with clear criteria which are available to view at any moment for employees as well as managers, and therefore it can be stated that the communication is clear. The criteria have been specified per piece and should be clear as well. Although this gives the incentive for good communication, there is no influence on the direct supervisor. The last criterion given by the company characteristics is that the appraiser should have sufficient information about the appraisee. Of course, this is one of the main goals of the application, and it is clear that there is a lot of information provided on the appraisee, information that might have been added by him/herself or others during the evaluated period. The question remains if this information is sufficient to judge the person on, but it definitely adds to the information upon which is judged in practice.

The third aspect upon which to rate the system is how the rewards are structured. Rewards can be individual, transactional, relational and communal. In the designed system, only individual rewards are defined, but the appraisal system leaves room for the use of other rewards. Communal rewards will occur in the form of recognition and voice, but these have not been defined, and neither has the option of receiving training in the relational rewards domain. This does not mean that these are not given, they are, but they are not connected with the formalised system, yet.

The final aspect is that of formalisation and flexibility. As said in chapter 3, there is a strong tension between these two approaches. In this research it was chosen that a more formal and systematic approach would enhance clarity, professionalism, justice or fairness and controllability, and would therefore be more desirable at this stage of the company. The challenge then lies in the pressure this system creates on the autonomy and motivation of employees, flexibility of the company and the degree to which the work environment stimulates.

Through these sub questions, the main research question has been answered: *How can the current evaluation system and reward policy of Ansh Systems be improved in such a way that monitoring employee performance evaluation improves?* The introduced method and the software application will improve the organisation's monitoring on employee performance. When the program will be ready for use, it will improve the professionalism of the company, and better reflect the owner-manager's strategy in Human Resource Management, thus giving the company a possible competitive advantage on this aspect.

BIBLIOGRAPHY

- Armstrong, M. & Brown, D. (2006). *Strategic Reward: Making it happen*. London, UK: Kogan Page.
- Boxall, P., & Purcell, J. (2007). *Strategy and human resource management* (2nd ed.). Houndmills, Basingstoke, Hampshire, UK: Palgrave Macmillan.
- Budhwar, P., Luthar, H., & Bhatnagar, J. (2006). The Dynamics of HRM Systems in Indian BPO Firms. *Journal of Labor Research*, 27(3), 339-360.
- Campbell, J.P., McCloy, R., Oppler, S. & Sager, C. (1993). A theory of performance. In Schmitt, N. and Borman, W. (eds.) *Personnel Selection in Organizations*. San Fransisco: Jossey-Bass.
- Clark, G. (2005). 'Performance Management Strategies', in Salaman, G., Storey, J. & Billsberry, J. (eds.), *Strategic Human Resource Management: Theory and Practice*. London, UK: The Open University in association with Sage.
- Coates, G. (1994). Performance appraisal as icon: Oscar-winning performance or dressing to impress?. *International Journal of Human Resource Management*, 5(1), 167-191.
- Cropanzano, R., Bowen, D.E. & Gilliland, S.E. (2007). The Management of Organizational Justice. *Academy of Management Perspectives*, 21(4), 34-48.
- Erdogan, B. (2002). Antecedents and consequences of justice perceptions in performance appraisals. *Human Resource Management Review*, 12(4), 555-578.
- Gupta, A.K. & Singhal, A. (1993), "Managing human resources for innovation and creativity", *RESEARCH TECHNOLOGY MANAGEMENT*, 36(3), 41-8.
- Herath, T., & Kishore, R. (2009), Offshore Outsourcing: Risks, Challenges, and Potential Solutions. *Information Systems Management*, 26(4), 312-326.
- Indian Ministry of Law and Justice (2006), The Micro, Small and Medium Enterprises Development Act, 2006 [Digitalised Ministry Act], retrieved from http://msme.gov.in/MSME_Development_Gazette.htm on 15-02-2010.
- Jain, R. (2010). *Software outsourcing to India - Provides business leverage*. Retrieved from: <http://www.theoutsourcingblog.com/2010/09/software-outsourcing-to-india-%E2%80%93-provides-business-leverage/> on 23-11-2010.
- Leventhal, G. S., Karuza, J., & Fry, W. R. (1980). Beyond justice: A theory of allocation preferences. In Mikula, G. (ed.), *Justice and social interaction* (167-218). New York: Springer-Verlag.
- Longenecker, C. (1997). Why managerial performance appraisals are ineffective: Causes and lessons. *The Career Development International*, 2(5), 212-218.
- Prins, F. (2004). *Western Management in India*. PHD thesis University of Leiden.
- Punch, K. F. (2006). *Developing effective research proposals* (2nd ed.). London, UK: Sage
- Ritchie, J. (1993). Strategies for human resource management: challenges in smaller and entrepreneurial organizations. In R. Harrison (ed.), *Human resource management*. Wokingham, UK: Addison-Wiley.
- Russ-Eft, D. & Preskill, H. (2009). Evaluation in organizations: a systematic approach to enhancing learning, performance, and change (2nd ed.). New York, USA: Basic Books.
- Saini, D., & Budhwar, P. (2008). Managing the Human Resource in Indian SMEs: The Role of Indigenous Realities, *Journal of World Business*, 43(4), 417-434.

Schmelter, R., Mauer, R., Börsch, C. & Brettel, M. (2010). Boosting corporate entrepreneurship through HRM practices: evidence from German SME's, *Human Resource Management*, 49(4), 715-741.

Smith, B., Boroski, J., & Davis, G. (1992). Human Resource Planning. *Human Resource Management*, 31(1/2), 81-93.

Torrington, Hall & Taylor (2008). *Human Resource Management* (7th ed.). Harlow, Essex, UK: Pearson Education.

Towers Perrin (2005). *Reconnecting with Employees*, retrieved from http://www.towersperrin.com/tp/getwebcachedoc?webc=HRS/GBR/2005/200505/Engagement_Report.pdf on 18-03-2011.

Verschuren, P., & Hartog, R. (2005). Evaluation in Design-Oriented Research. *Quality & Quantity*, 39(6), 733.

Wagner, S.H. and Goffin, R.D. (1997). Differences in accuracy of absolute and comparative performance appraisal methods. *Organizational Behavior and Human Decision Processes*, 70(2), 95-103.

Williams, R. (2002). *Managing Employee Performance*. London, UK: Thompson Learning

Wilmot, J. (2010). *Latin America is the Third Most Popular Outsourcing Destination*. Capgemini Executive Outsourcing Survey Conducted by Harris Interactive. Retrieved from: http://apps.us.capgemini.com/DownloadLibrary/files/factsheets/Capgemini_BPO_LatAmOSdes_t_fs0610.pdf on 23-11-2010.

APPENDIX A: NEDERLANDSE SAMENVATTING

Ansh Systems is een Nederlands-Indiaas bedrijf dat zich richt op het aanbieden van Business Process Outsourcing (BPO) activiteiten, accounting en software engineering, aan midden- en kleinbedrijf klanten in Nederland. Het bedrijf heeft recentelijk een personeelsgroei meegemaakt, en er wordt voor de toekomst nog meer groei in vraag naar producten en personeel verwacht. Omdat het huidige evaluatiesysteem niet voorbereid is op meer werknemers, en er geen duidelijk gedefinieerd beloningssysteem is, is er behoefte aan om deze systemen te herontwerpen, preferabel in een softwareapplicatie.

In dit onderzoek wordt de ontwerpcyclus van Verschuren & Hartog (2005) gebruikt om een nieuw prestatie management- en beloningssysteem te ontwerpen voor Ansh Systems. Het model structureert het ontwerpproject, en een overzicht van criteria voor het systeem, onderverdeeld in functionele, gebruikers en contextuele vereisten, wordt opgesteld. Deze methodologische gedachtengang biedt inzicht in de ontwerpfase van het systeem.

De hoofdcriteria uit de theoretische verkenning kan het best omschreven worden per concept. Vaardigheden, motivatie en gelegenheid zijn dimensies die gezamenlijk zorgen voor een prestatie, en een aan de situatie aangepaste aanpak van beoordeling is geldiger om te gebruiken dan 'best practice' aanpakken. Prestatiemanagement verschilt van alleen beoordeling, en kan bereikt worden door een stappenmodel waarin een heldere opzet, planning, aflevering & controle, beoordeling en als laatste beloning van prestaties wordt gebruikt. Beloningen zijn een motivatiemiddel, en kunnen worden onderverdeeld in individuele, transactionele, relationele en gemeenschappelijke beloningen.

Gerechtigheid is in het systeem te bereiken door consistente toepassing van regels, het voorkomen van onjuistheden en vooroordelen in de regels, en regels accuraat, alle stakeholders representerend, en in lijn met de ethische waarden van het bedrijf op te stellen. Formalisatie van regels is een manier om gerechtigheid te bereiken. Formalisatie van processen, heldere communicatie van structuren, doelen en strategieën zijn manieren om met bedreigingen voor de prestatie van medewerkers van het midden- en kleinbedrijf in de BPO-branche in India om te gaan.

Het resultaat van het ontwerp is een set van criteria, vereisten en aannames die leiden tot een set competenties waarop de medewerkers van het bedrijf beoordeeld kunnen worden. De specifiek geoperationaliseerde competenties zijn toegewezen aan vaardigheden, die weer toegewezen zijn aan hoofdgroepen, om een hiërarchische evaluatiestructuur te creëren. De vier hoofdgroepen zijn *kwaliteit*, *planning*, *business logic*, en *interne discipline*. Medewerkers worden op deze competenties beoordeeld in functie specifieke en niet functie specifieke aspecten van hun werk, en worden beoordeeld met een cijfer, wat gekoppeld is aan een totaalwaardering voor de prestatie. Deze waardering is gekoppeld aan het beloningssysteem, dat naar de huidige salarisstandaarden in het bedrijf is opgezet. Systematiek kan nu worden bereikt doordat een simpele formule opgesteld kan worden, die geïmplementeerd kan worden in een software applicatie.

Met de resultaten van het onderzoek is een web applicatie gemaakt, die bedoeld is voor intern gebruik binnen Ansh Systems. De software biedt informatie en berekeningen aan managers en hun ondergeschikten, waarbij het verzamelde informatie die is ingevoerd combineert met de beloningsstructuur, dat een adviserende functie heeft in beoordelingsgesprekken. Het systeem is bruikbaar en nuttig voor zowel medewerkers als managers, en maakt het prestatie management en beloningssysteem inzichtelijk en toegankelijk voor alle betrokkenen in het proces.