A study of performance management system in Steria

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Abstract

The study aims to study and analyze Performance Management components and their usage in Steria. The study entailed detailed examination of the methods to measure and enhance performance management system against its objectives. Exploratory research followed by descriptive research has been used in the study. Non-probability convenience sampling has been used in the study. The sample size is 40. Primary data has been collected using two structured questionnaires. Depth interview method was used by which answers to the questionnaire were sought. The study has identified the most important factors which contribute to the effectiveness of creation and maintenance of such systems. In future the organization must concentrate and develop a system towards 360 degree appraisal. This is the future trend and the companies must adhere to it. The companies must identify and develop unique retention strategies to retain the employees. It is suggested to Steria to introduce normalization in its PMS, so as to reduce biasness in the system. Innovative policies should be formulated to retain and train more employees which would match their satisfaction level. As it is inferred that PMS system is important for any organization, the organizations must invest in specific technology oriented products and services, software and hardware to improve the performance.

Keywords: 360 degree feedback, critical incidence, development, self appraisal, succession planning.

INTRODUCTION

Performance management system – Steria

The performance management system in Steria goes through following phases:

Setting objectives: First step of performance management system in Steria is Setting Objectives. Objectives are set by every employee working in the organization by answering few questions provided to them and it is emphasized that the objectives should be SMART i.e. Specific, Measurable, Agreed, Realistic, Time related.

Performance Review: The purpose of the performance review process is to improve organization and employee performance by agreeing business and personal objectives with employees and by reviewing and providing feedback on employees' performance on a regular basis. Performance is assessed on the extent to which business and personal objectives have been met, and by providing feedback on the behaviors and objectives employees demonstrate in their designated role. The process involves:

- Setting organizational goals, which in turn are translated into behavior, assignment and personal objectives.
- At the end of each assignment of 40 days or more.
- A formal performance review meeting annually which involves the assessment of performance against behaviors, objectives and the relevant Steria charters. This is used as the key input to the company's annual salary review process.
- Continuous, ongoing feedback and regular interim reviews of performance during the year.

Performance reviews must be completed at least once a year, within the period determined by the company, using Steria's performance review documentation. Once the employee and their leader/ reviewer has agreed on the component performance review ratings (objectives, behaviors and leadership charter (wherever applicable)), the leader enters the ratings into People Connect (Steria's intranet related to HR activity).

The leader/ reviewer and the employee should keep a copy of the performance review for their own records and future reference. All leaders are measured for compliance against Personal Charter.

Employees on maternity leave, career break, long term sick leave or any employee who due to absence will not have completed 3 months consecutive service by the end of the review period are not required to have a performance review during the annual window. For these employees, an interim performance review should take place once the employee has completed 3 months consecutive service following their return to work.

Any new hires to the company who joins on and after the 1st January are not required to have a

performance review during the probationary period should still take place. The main purpose of these meetings is to ensure that they have an opportunity to discuss all aspects of the employees' performance. At this initial performance review meeting employees should discuss and agree a rating for objectives, behaviors and for Leader, a Leadership rating. In Xansa before being acquired by Steria there was A, B, C, C*, D ratings. Now Steria's employees will receive one overall rating which will be their Relative Ranking Rating (Level 1 to 4).

360 degree feedback: 360 degree feedback is a tool that can be used to provide more information during the Performance Management process. It allows individuals to obtain honest feedback on their performance from multiple levels both within and outside the organization. All employees, Leaders and clients can be provided with a simple framework to identify both strengths and development needs in a no confrontational and confidential way.

Rules for 360 degree feedback:

- In Steria, the use of 360 degree feedback is mandatory for all leaders: all reporting staff with at least 3 months association with the leader must be given the opportunity to provide feedback if they want to.
- For all other employees, the use of 360 degree feedback is optional and is undertaken only when both the employee and the leader agree that it would be beneficial.

Relative ranking: Steria wants to be able to identify, reward and retain its top performers and to identify and provide structured support to its lower performances. The relative ranking process is used in addition to the Performance Reviewer process to further differentiate between the performance levels of employees. The Relative Ranking process is the final part of the annual performance review process, and provides the relative ranking rating for each individual.

The Relative Ranking exercise is an integral part of Performance Review and takes place once the phase of initial review meetings between employees and respective leaders has been completed.

All employees are allocated to a comparator group for the purposes of this exercise and then ranked against employees within this group. All employees receive one overall rating which is their Relative Ranking Rating. These ratings will be arrived at in the Relative Ranking meetings and are fed into salary review process. Relative Rankings Rating are used for deciding the increments for the employees

The target distribution categories that will be used for Relative Ranking will be:

- Level 1 – Highest 15% of performers in group
- Level 2 – Next 70% of performers in group
- Level 3 – Next 10% of performers in group
- Level 4- Lowest 5% of performers in group

Performance improvement planning: A leader may need to use the Performance Improvement Planning procedure to manage an employee who is under performing. This formal procedure may either follow the Performance Enhancement process if this has been unsuccessful in bringing performance to an acceptable standard or it can be used on its own when there is a significant level of under performance. When an employee does not perform his role to an acceptable standard, the Company works with the employee to support him to improve his performance.

A Performance Improvement Planning (PIP) is a mandatory requirement if an employee is assigned an overall ranking rating of Level 4 in the annual Performance Review. The objective of the Performance Improvement Planning procedure is to ensure that employees are capable of carrying out their role. If the objectives are not met, then Steria discusses other opinions (alternative roles) with the employees.

Personal development plan: The performance management is a rolling cycle, which gives every employee the opportunity to look at where they are, where they want to be and how they can reach their career goals. The Personal Development Plan (PDP) is a vital element in this process and is the output of a discussion encompassing current job and career aspiration development needs which results in individual development objectives being agreed.

All salaried employees have a discussion with their leader at the Performance Review meeting to decide if a PDP is required to support their current job and career aspiration development needs. It is mandatory to put a PDP in place if an employee is awarded an overall relative ranking position of Level 4, in line with Performance enhancement Planning and Performance Improvement Planning processes.

Developmental roles: A developmental role is one where an individual takes on responsibilities and duties of a new job within Steria with a significantly different skill set, or at a higher band, where they will not immediately operate at the required level. In either case it is believed that the individual will achieve the basic requirements very soon - given support.

Development roles are a key mechanism to motivate, retain and grow talented employees within Steria. Development roles support Steria's stated aim of valuing breadth of kills and knowledge by providing opportunities to take on roles that may otherwise have been beyond an individual's expectations.

Development roles are particularly useful when positioning new groups of employees onto Steria's career framework, providing individuals with a path to gain any new skills and behaviors, or to be able to demonstrate behaviors, against which employees may not have previously been measured.

SCOPE OF THE STUDY

The performance of the employees is being analyzed which can indirectly influence the satisfaction of the employee and directly motivates them to work for the organizational development. The study helps to analyze the trends in performance management system in Steria and give appropriate suggestions to improvise the practices taken by it.

LITERATURE REVIEW

Elzinga et al (2009) Analysis on different levels of matches showed that behavioral factors can be ranked according to their relative importance. Also it is possible to identify which behavioral factors are the most important ones for the use of a performance management system.

Waldman (1994) Based on recently proposed principles of total quality management (TQM), takes a system-oriented perspective with regard to the design of performance management systems in organizations. The underlying premise of this orientation is that methods for managing individual and group performance must be compatible with continuous improvement efforts and customer-based TQM strategies.

Kagaari (2011) results revealed that employees in public universities built relationships, utilized available resources, adapted to external environment, set goals and targets. This was made possible through planning, mobilizing resources, problem solving, evaluating performance and adopting ICT to deliver cost-effective quality services/products. The hypotheses were tested and revealed a significant positive relationship between performance management practices and managed performance.

Sharif (2002) the balanced scorecard, with its associated performance management approaches has become a widely practiced and popular management reporting method in recent times. Moreover, enabling technology, which assists in the delivery and personalization of corporate performance information, is having a deeper and more rapid impact than ever before. Also, discusses the merits of bespoke Internet technology development and out-of-the-box portal functionalities.

Brudan (2010) three emerging approaches to performance management are presented as potential catalysts to accelerate the evolution of this discipline: systems thinking, learning and integration. An integrated performance management model is also proposed.

Kagaari et al (2010) results revealed that performance management practices that are vested in agency relations and goal setting with ICT adoption are necessary in the achievement of managed performance in public universities.

Meekings et al (2009) argues that the key elements of a plumbed-in performance management system are: performance architecture; performance insights; performance focus; and performance action. Taken together, these four elements provide the necessary plumbing to

enable performance management systems to deliver real value.

Sahoo & Jena (2012) revealed important issues and practices of performance management in manufacturing sectors. The study improves understanding of the different approaches utilized to manage and measure performance management system in the manufacturing sector.

Waal & Counet (2009) shows that the failure rate of PM implementations has decreased in the past decade from 70 to 56 percent, and that the most severe problems organizations encounter are: lack of top management commitment; not having a PM culture; PM getting a low priority or its use being abandoned after a change of management; management putting low priority on the implementation; and people not seeing (enough) benefit from PM.

Cohanier (2014) indicates that financial measures were predominantly used by the company in its PMS, and that this reliance on financial measures may be an artifact of the industry in which the company operates. The retail industry is highly competitive, and it is very sensitive to changes in customer tastes and behavior, as well as shareholder and financial market pressures. In addition to financial measures, it was found that operational management developed certain non-financial performance measures and that this development may have been a response by operational managers to wider stakeholder pressures and external influences. However, these performance measures appear to be not fully integrated in the PMS and are therefore de-coupled and relatively unimportant in or entirely absent from, top-level decision-making.

RESEARCH METHODOLOGY

Objectives:

- To study the existing system prevailing with regard to performance management system in Steria.
- To focus on the challenges prevailing in the retention of such highly skilled effective employees.
- To provide some meaningful suggestions to the organizations as well as the industry to improve, modify and change the existing systems of performance management.

Research design: Exploratory research followed by descriptive research has been used in the study. Descriptive studies are undertaken in many circumstances. When the researcher is interested in knowing the characteristics of certain groups such as age, sex, educational level, occupation or income, a descriptive study is necessary. Descriptive studies are well-structured. It tends to be signed and its approach cannot be changed every now and then. It is, therefore necessary that the research give sufficient thought to framing research questions and deciding the types of data to be collected for their purpose.

Sampling Technique: Non-probability convenience sampling has been used in the study. Convenience sampling refers to the collection of information from members of the population who are conveniently available to provide it. It is most often used during the exploratory phase

and is perhaps the best way of getting some basic information quickly and efficiently.

Sample size: The study has been carried out by collecting information from Steria by using simple random sampling. The sample size is 40.

Data collection tools: In the study data has been collected using primary and secondary methods of data collection. Primary data has been collected using two structured questionnaires. Depth interview method has been used. Secondary data has been collected from journals, articles; research magazines and working papers available in the organization and from Internet.

DATA ANALYSIS

The components of performance management system in Steria are as follows:

- When and how are the Key Result Areas (KRAs) for an employee identified? How are the changes in KRAs handled if the business requirements change?

KRAs in the company are identified as soon as a person is assigned with certain job role and responsibilities. KRAs are uniquely identified on the basis of intersection of the level of operation (i.e band and level within it) and the vertical of operation (i.e area of function for e.g Architecture, Development, Support etc.) The KRAs are SMART in nature, i.e specific, measurable, agreed, realistic and time-bound. The existing employees have to do the objective setting in the months of June-July whereas the new joinees are given a time period of 30-45 days from the day of joining to set their objectives.

KRAs are set based on the combination of the following:
    a) Project Requirements: These are of technical nature and mainly constitute of skill and knowledge, operational goals and client/investor expectations.
    b) Organizational Specifications: These are long term organizational goals with which individual goals have to be aligned with.
    c) Personal Charter: Sets out key elements against which an employee will be measured in the form of a simple objective. The elements are behaviours; billable time; career skills, assignment end date; objectives and development plans; knowledge; quality; timesheets, holidays and sickness.
    d) Leadership Charter (if applicable): The key components of it includes setting stretching goals, managing performance, managing safety, effectively communicating, taking initiative, developing and leveraging relationships, managing risk, underpinning quality.
    e) Steria behaviour model: Exhibit behaviours of being bold, commercial, connected, inquiring, passionate and expert in all aspects of the job.
    f) Security & Quality: These are required to ensure that there is no breach of information security policy and the employee adheres to health and safety regulations.

KRAs are developed by the supervisor and the subordinate together and have to be jointly agreed on (Management by Objectives-MBO) since they act as a guideline against which the performance of the employee is assessed during the performance appraisal period.

- What are the components / phases of performance management system?

Various components of PMS in STERIA are objective setting, performance appraisal, potential planning, performance improvement plan, performance development plan, 360 degree feedback, and relative ranking.

- How many meetings are scheduled in a year to discuss employee performance?

Frequency of meetings in Steria is at least once a year.

- Which technique is adopted for carrying out performance appraisal? Is it different for senior level managers?

Steria employs a '360 degree' appraisal technique for employees in the higher level of organization. Feedback for them is taken in a full circle from all around them and also involves people whom they are servicing/ delivering their services. For low level employees (i.e. Band 1-2), appraisal is in the form of self appraisal together with appraisal by manager/supervisor. Performance appraisal is an annual exercise which takes place in the months of April-May. Performance as per the KRAs gets automatically transferred from the goal sheet to the appraisal form.

- Does the company use tools to reduce biasness in the PMS?

Steria has 360 degree feedback mechanism, which includes superior, peers, customers' feedback. It is optional at some levels.

- What all processes are part of your PMS?

Training and development is an integrated part of PMS in Steria. Potential planning is another area and for career management, employees are required to update their resumes from time to time. If some employee is working on some short term project, he is required to update his resume online a month before, mentioning the prior project worked on.

- How are the Training and Development (T&D) needs captured through the process of performance appraisal?

Training need analysis is done based on the PDPs of the employees and a calendar is released after the performance appraisal activity comes to an end. The training is imparted based on the project requirements (i.e of technical skills) and less focus is given on the developmental needs

(soft skills). The training needs become apparent with time and the skill matrix also facilitates in capturing the training needs of an employee by estimating the skill gaps.

For any training need specific to a project, the Project Manager presents a proposal to the Delivery Director. If the training is costly but very essential for the success of the project then help is taken from the center head as well as T&D head in order to share the cost of imparting training.

In other cases training needs as captured through the PDP is processed by the T&D department and trainings are scheduled as per the mass requirement and depending on the budget allocation.

- What is the most important aspect of PMS?

In Steria too, retention and motivating employees are important parts of PMS. Developing leadership qualities is also an important part and there is a leadership charter which is required to be followed by employees of certain band.

- Which rating scale is used by the company? Is there any standard approach for rating the employee?

There are four levels in Steria i.e. L1, L2, L3, and L4. Employee at L1 are the outstanding ones, these employees perform at an exceptionally high level. They always exceed expectations and act as a role model to others. L4 employees are the ones who require improving their performance substantially and they are the ones who require PIP to improve their performance.

- Is promotion part of the PMS? How are incentives and promotions linked to the PMS outcome? What are the criteria for promotion? What percentage (%) of the eligible population is allowed for promotions every year?

The frequency of promotion cycle is twice a year. On one hand they are given after the performance appraisal cycle (thereby making it part of PMS) and are effective from 1st of April. On the other hand they become effective from 1st of October (six months after the first promotion cycle gets over).

Promotions are given only when recommendations come from above. It is generally termed so when a person shifts to a higher band and not merely when he moves from a lower level to a higher level in the same band (known as Progression).

Promotions are given based on the skill and experience an employee possesses, the kind of behavior he/she displays, overall level (it being 1/2) he/she is awarded along with the availability of a role in the next band. Incentives are given based on the overall rating a person receives and is reflected in the compensation package he or she gets at the end of the performance appraisal cycle, whereas promotions are more linked with fringe benefits and band based perks that a person is entitled to get by holding a position in the band. On an average about 10% of the eligible population for promotion gets promoted.

- How are Compensation & Rewards connected to the PMS?

The outcome of the appraisal activity is the grade assigned to the employee based on his/her performance. The incentive given to the employee is based on a mathematical formula whose input parameters are current salary, market value, experience and skill set, and grade assigned to the employee. This is processed and the result is reflected in the form of increment letter which is given to the employee at the end of performance appraisal cycle, i.e in the month of June.

PMS fact sheet

Table 1: showing phases of PMS in company

Phases of PMS	*Performance Appraisal Year*	*Objective Setting*	*Performance Review Period*	*Training & Development*	*Salary Review*
STERIA	1st May-30th April	Existing employees: June-July New Joinees: Within 30-45 days of joining	Annual: April-May	Training calendar is released at the end of performance appraisal period	By June

Table 2: showing a few parameters of PMS

Parameters	STERIA
Identification of KRAs	Objective setting (June-July)
No. of meetings	At least once a year
Tools used for reducing biasness	360 degree feedback
Part of PMS	T & D, Potential Planning
Assessment of T & D needs	PDP
Rating scales	Levels L1-L4
Succession Planning	By the suggestion of managers
Strategy linkage	Retention and Motivation strategy
percentage promotions	15%

FINDINGS
Following are the findings of the study:

- PMS at Steria is quite exhaustive and has an element of objectivity attached to it. It looks into all the aspects of performance management but there are some areas where there is a scope for improvement. There is no single yardstick to measure the performance of an employee and varies from sector to sector within the company. The performance review of an

employee is done by his manager alone and no other party is involved in this process. This at times can introduce managerial biases since there is no agreed standard based on which weight age is determined to the input parameters for the rating. The manager can manipulate the ratings as per his convenience since the autonomy to rank the employee lies with the manager alone.

- According to the managers in Steria, employees possessing the 'hot skills' who are working on the projects which are critical to the company (in terms of business and revenue generation) should be given more weight age while finalizing ratings for them. In other words, these employees need to be taken into special consideration while assigning the overall rate with the help of relative ranking.

RECOMMENDATIONS

Following are the recommendations for improving the overall PMS in the company studied:

- It is suggested to Steria to introduce normalization in its PMS, so as to reduce biasness in the system.
- Biannual performance review should be started with the next review period.
- Innovative policies should be formulated to retain and train more employees which would match their satisfaction level.
- More efforts should be made in terms of improving communication between the top management and the employees.
- As it is inferred that PMS system is important for any organization, the organizations must invest in specific technology oriented products and services, software and hardware to improve the performance.
- Performance incentive and salary incentive encourages and improves the performance of employees. So the PMS must focus on these factors to improve the performance.

CONCLUSIONS

The performance management system is an integral part of an organization to measure, motivate, and improve the performance of the entire organization. It also helps to focus on the goals of the organization towards specific pre-determined objectives for an organizational culture. The study has identified the most important factors which contribute to the effectiveness of creation and maintenance of such systems. In future the organization must concentrate and develop a system towards 360 degree appraisal. This is the future trend and the companies must adhere to it. The companies must identify and develop unique retention strategies to retain the employees. An established formal communication networking with an informal focus would give the organizations an additional competitive advantage.

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