

## Chapter 6.3

# Personnel Performance Management in IT eSourcing Environments

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### ABSTRACT

Performance management is one of the vital areas within any organization since it permits the supervision, measurement and control of the activities of employees. In outsourcing environments, this kind of activities are even more crucial, since the distance between supplier and client increases the difficulties in carrying out the process. This circumstance requires an improved and more specific level of the management of

performance of the new organizational activities brought about by the client-supplier paradigm. This paper proposes a model of improvement of performance management of the activities of clients and suppliers, governed by the eSCM (eSourcing Capability Model) through the use of the management of performance of human capital defined in the People-CMM (People Capability Maturity Model). The overall objective of the work is to develop the new model that manages, in the most efficient way possible, one of the most important assets of the organizations: human capital.

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## INTRODUCTION

“If you can’t define performance, you can’t measure or manage it” (Armstrong & Baron, 1998). From this idea, performance can be defined from three different points of view. For example, performance refers to both the actual realization of the work as well as the results obtained (Otley, 1999), or it can be considered as a multidimensional construction formed by a variety of factors (Fitzgerald & Moon, 1996), or it can be defined as the outputs of an organization which provide a strong link between the strategic objectives of the organization, the satisfaction of the consumer, and economic contributions (Rogers, 1994).

It is important to determine whether the objective of measurement is to evaluate the results of performance or behaviour, given that the results can be biased by factors external to those implicated in performance (Campbell, 1990). Due to this factor, organizations should distinguish between results and outputs, behaviour (the process), and appropriate means of measurement of performance, as inseparable and interdependent variables must frequently be dealt with (Mwita, 2000). These variables are affected by diverse factors, which should be taken into account when managing, measuring, modifying or recognizing performance. Additionally, these factors may be grouped into personal factors, leadership factors, team factors, system or context (Armstrong & Baron, 1998).

Once performance is defined, it can be managed. Performance Management (PM) is a set of plans and revision processes, which span across the entire organization to provide a link between each individual and overall organizational strategy (Rogers, 1994). The general objectives of PM relating to individuals are (NAHT, 1991):

- Dispose of an increased clarity of what the organization is trying to achieve strategically.
- Understand what is expected of them in their work.
- Entitled to feedback regarding the carrying out of their work.
- Have continuous support from their managers.
- Have an opportunity to evaluate their performance obtained in a given period of time.

In the current environment of IT organizations, the externalization of services and processes to an external and specialized organization (Raisinghani, Starr, Hickerson, Morrison & Howard, 2008) is an extended practice and known as Outsourcing (Barthelemy, 2003b). In relations between client and supplier, PM is one of the most important factors for the success of the relationship (Alborz, Seddon & Scheepers, 2003), particularly given that the measurement of performance ensures the quality of outsourcing services (Saunders, Gebelt & Qing, 1997). PM generates information of vital importance to govern and control the life cycle of an Outsourcing relationship (Weimer & Seuring, 2008), moreover poor PM can destroy the Outsourcing relationship (Fink, 1994) given the lack of transparency of results, client satisfaction and continuous improvement (Alborz, Seddon & Scheepers, 2003). On the other hand, PM forms part of SLA (Service Level Agreements) which define in precise terms, the types, reach and character of the services required, delivery deadlines and the levels of performance agreed between the client and provider (Lee, 1996). Additionally, IT Governance, seen it as a ‘holistic system’ (Van Grembergen, De Haes, & Guldentops, 2003), is in part, linked with PM due to the high influence of human factors in IT goals achievement (Roepke, Agarwal & Ferratt, 2000).

With the aim of boosting PM in Outsourcing environments, this paper has the objective to propose an enhancement of PM applied to the activities of clients and suppliers governed by the eSCM-CL (eSCM for Client Organization) model

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