

Performance Measurement System of Service Desk  
In a Multinational Company

Thum Wan Yui

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## TABLE OF CONTENTS

	<b>Page</b>
ACKNOWLEDGEMENT	ii
TABLE OF CONTENTS	iii
LIST OF TABLES	viii
LIST OF FIGURES	x
ABSTRAK (MALAY)	xii
ABSTRACT	xiii
 <b>Chapter 1 INTRODUCTION</b>	
 1.0 Background of the Study	1
1.1 Problem Statement	2
1.2 Significance of Study	4
1.3 Case Issues	5
1.4 Organization of the Thesis	5
1.5 Summary	6
 <b>Chapter 2 LITERATURE REVIEW</b>	
 2.0 Introduction	7
2.1 Overview of SamCorp, the IT Division and the Service Desk	7

2.2	Service Desk	9
2.3	Performance Management	10
2.3.1	The HRM view of Performance Management	11
2.3.2	Otley's Framework of Performance Management	14
2.4	Performance Management in Service Desk	18
2.5	Performance Measurement	20
2.5.1	Characteristics of a Good Performance Measurement System	21
2.5.2	The Importance of Performance Management and Measurement System	22
2.6	Common Measurement Tool used to Measure Organization's Performance	23
2.7	Performance Measurement in Service Sector	24
2.8	Performance Measurement in Service Desk	27
2.9	Common Performance Issues in Service Desk	33
2.10	Summary	34

### **Chapter 3     INDUSTRY PROFILE AND ANALYSIS**

3.0	Introduction	36
3.1	Semiconductor Industry in Global	36
3.2	Semiconductor Industry in Asia	38
3.3	Semiconductor Industry in Malaysia	38
3.4	Market Growth in Semiconductor Industry	40
3.5	Issues Faced or Caused by Semiconductor Industry	42

3.6	Summary	46
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## **Chapter 4     METHODOLOGY**

4.0	Introduction	48
4.1	Semi-structured Interview	48
4.2	Secondary Data Collection	50
4.3	Data Linkages	51
4.4	Analysis Approach	54
4.4.1	Human Resource Management (HRM) view of Performance Measurement System	54
4.4.2	Benchmarking Analysis	55
4.4.3	Steps in Benchmarking	56
4.4.4	Benchmarking in Service Desk	58
4.5	SWOT Analysis	61
4.6	Summary	62

## **Chapter 5     CASE WRITE UP**

5.0	Company Profile and Analysis	63
5.1	SamCorp	63
5.1.1	SamCorp Malaysia	74
5.1.2	SamCorp Information Technology Group	76

5.1.3	Service Desk at SamCorp (Technical Assistance Centre)	80
5.2	Performance Measurement System Used in SamCorp	83
5.3	Performance Measurement System: The Service Desk of IT at SamCorp	89
5.3.1	Transparency in Operational Performance	90
5.3.2	The Development of Key Performance Indicators (KPI) of Service Desk	94
5.3.3	Performance Evaluation and Rating for Service Desk Agents	100
5.3.4	Awards and Recognition System	101
5.3.5	Top Performance Issues Faced by Service Desk at SamCorp	103
5.4	Summary	107

## **Chapter 6 CASE ANALYSIS**

6.0	Introduction	109
6.1	The Human Resource Management (HRM) View of Performance Management	109
6.2	The Huddle	112
6.3	Benchmarking Analysis	113
6.3.1	Most Requested Metrics in Service Desk Industry versus the Key Performance Metrics at SamCorp Service Desk	114
6.3.2	Performance of Service Desk at SamCorp versus Industry Best Practices	116
6.3.3	Root Cause Analysis	120

6.3.4	SWOT Analysis	124
6.4	Summary	126

## **Chapter 7 RECOMMENDATIONS AND CONCLUSION**

7.0	Introduction	128
7.1	Performance Measurement System at SamCorp Service Desk	128
7.2	Performance Metrics and Top Performance Issues at SamCorp Service Desk	129
7.3	Conclusion	131

<b>REFERENCES</b>	133
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## **APPENDIXES**

Appendix A1: Face-to-face Interview Questions and Answers	138
Appendix A2: Phone Interview Questions and Answers	164
Appendix B1: Sample of Customer Satisfaction Survey	174

## LIST OF TABLES

	<b>Page</b>
Table 1: The results and determinants framework	25
Table 2: Service Desk Performance Metrics and Industry Best Practice	29
Table 3: Hazardous Chemicals Commonly Used in Manufacturing Semiconductors and their Known Effects on Human Health.	43
Table 4: List of People with Face-to-Face Interview	49
Table 5: List of People with Telephone Interview	50
Table 6: List of Documents Reviewed	50
Table 7: Data Linkages	51
Table 8: SWOT Matrix	61
Table 9: Vision, Mission and Strategic Imperatives of IT at SamCorp	76
Table 10: Huddle Cycle Steps and Explanation	92
Table 11: Top 10 Metrics Defined in Service Desk at SamCorp	97
Table 12: Performance of Service Desk at SamCorp and Goals Defined	99
Table 13: Comparison between the Performance Measurement System at SamCorp Parent Company and the Service Desk against the HRM view of Performance Measurement System	110
Table 14: Comparison between Most Requested Metrics in Service Desk Industry and the Key Performance Metrics at SamCorp Service Desk	115
Table 15: Comparison between the Performance of Industry Best Practices against Performance of Service Desk at SamCorp	117



Table 16: Indicators that Meet or Fail to Meet the Goals Set by SamCorp Service Desk	119
Table 17: Metrics that SamCorp Service Desk Meet Industry Best Practices	120
Table 18: SWOT Analysis of SamCorp Service Desk	124

## LIST OF FIGURES

	Page
Figure 1: Performance Management's Five Key Components	11
Figure 2: Otley's framework	14
Figure 3: The performance management and control framework	16
Figure 4: The Balanced Scorecard by Kaplan & Norton	24
Figure 5: The Service Desk Balance Scorecard	32
Figure 6: Relative Consumption of Semiconductors by Industry	37
Figure 7: Annual Percentage Growth in Semiconductor Revenue	40
Figure 8: The Formal 10-step Benchmarking Process	57
Figure 9: The Benchmarking Approach	58
Figure 10: Benchmarking KPI Performance Summary	60
Figure 11: SamCorp Facilities Spread Across 63 Countries	65
Figure 12: Fab and Assembly Test Sites at SamCorp	66
Figure 13: The Organization Chart of SamCorp	67
Figure 14: Net Revenue and Operating Profit at SamCorp between 2003 – 2008	68
Figure 15: Spending of SamCorp in Research and Development between 1999 – 2008	69
Figure 16: Products Offered by SamCorp	70
Figure 17: Five Business Units at SamCorp	71

Figure 18: Data Centers at SamCorp that Spread Across Three Regions	77
Figure 19: How much SamCorp Pay for IT Service and Support	78
Figure 20: Illustration of Service Desk	81
Figure 21: Organization Chart of IT Service Operations – Service Desk (TAC)	81
Figure 22: The Top Down Approach on How Objectives Are Cascaded at SamCorp	85
Figure 23: The Huddle Cycle	92
Figure 23: Top 5 Issues Lead to Negative Customer Experience	104
Figure 24: The Benchmarking Approach	114

## ABSTRAK (MALAY)

Tujuan penyelidikan ini adalah untuk menyelidik sistem penilaian prestasi *Service Desk* di sebuah syarikat antarabangsa. *Service Desk* merupakan titik perhubungan tunggal untuk isu-isu berkenaan dengan informasi and infrastruktur teknologi kepada perkerja dalaman, pembekal luaran dan pelanggan-pelanggan. Oleh hal yang demikian, sistem penilaian prestasi *Service Desk* yang berkesan memainkan peranan yang penting untuk meninjau bahawa kakitangan-kakitangan tersebut adalah sentiasa memberi perkhidmatan yang bermutu tinggi serta menunjukkan prestasi yang terunggul sepanjang operasi harian. Kajian ini adalah untuk mengenal pasti bagaimana sistem penilaian prestasi dibina dalam organisasi ini. Ia juga mengkaji sama ada sistem ini menyelenggarakan process yang sistematik sebagaimana yang ditegaskan dalam pandangan pengurusan sumber kemanusiaan yang meliputi penilaian prestasi pekerja dan sistem taksiran dan penghargaan. Selain itu, metrik-metrik prestasi yang digunakan dan process pembinaan metrik tersebut di dalam *Service Desk* dibincangkan. Kebanyakan metrik-metrik yang digunakan dalam organisasi tersebut sejajar dengan pengamalan terbaik dalam industri *Service Desk*. Namun demikian, beberapa isu-isu yang dihadapi oleh *Service Desk* syarikat tersebut adalah berkaitan dengan jurang komunikasi, kelemahan teknikal and telefon menu yang mengelirukan. Organisasi digalakkan untuk mengkaji pekerja yang mampu bertutur dalam bahasa Mandarin, Sepanyol dan Vietnam di Pulau Pinang dan Costa Rica untuk mengatasi masalah komunikasi, mengadakan sistem pengurusan pengetahuan untuk membolehkan pekerja menyelesaikan isu-isu lebih cekap dengan skrip yang lengkap dan membentuk satu pasukan untuk mengatasi masalah telefon menu supaya pelanggan-pelanggan mendapat perkhidmatan yang baik daripada *Service Desk*.

## **ABSTRACT**

The purpose of this research is to investigate the performance measurement system of the Service Desk in a multinational company. Service Desk is the single point of contact for the internal employees and the external suppliers as well as customers in regards of any IT related issues. To ensure the Service Desk agents provide high quality of service and demonstrate good performance in daily operation, effective performance measurement system is essential to the organization. The performance measurement system of a MNC is examined to determine how the system is developed and whether it follows the systematic processes defined in the Human Resource Management (HRM) view of performance measurement system that includes employees' performance evaluation and appraisal system. Then, the performance metrics used by the Service Desk of the MNC is examined in terms of the type of metrics used and the way the metrics are developed. Most of the metrics used are aligned with the industry best practices. However, several top issues faced by the Service Desk of the MNC are due to communication issue, technical gaps and confusing menu. It is recommended to the organization to staff Mandarin, Spanish and Vietnamese speaking agents in both Penang and Costa Rica to close the communication issues, implement knowledge management system to provide agents with complete and faster solution scripts and form a task force team to rectify the phone menu issue to reduce bad customer experience.

## CHAPTER 1

### INTRODUCTION

#### 1.0 Background of the Study

According to Information Technology Infrastructure Library, Service Desk is the central point of contact between service providers and users. It is also a focal point for customers to report incidents and raise service requests whenever needed (ITIL, 2002). Before Service Desk concept is adopted and implemented, organization usually hired people to physically go to the user's cube or place to solve IT related issues. The IT technician contact number or pager is made available to the end users. After receiving call, they need to quickly be on the site.

To provide a single point of contact for customers, Call Centre is formed. The main purpose of Call Centre is to handle large volumes of telephone calls and dispatch the calls (ITIL Portal, 2008). Users call the hotline number and the agent in the call centre will direct the call to the available technician to solve the issues. The disadvantage is it impacts user with longer downtime and provide no value added. To minimize the impact, Help Desk is formed. "The core responsibility of help desk is to manage and resolve incidents quickly and effectively and to ensure all requests raised by customers are followed up" (ITIL Portal, 2008). However, Help Desk may only offer limited support scope and service quality as well as service level agreement are not emphasized.

In better handling incidents and provide quality service to users, Service Desk is implemented in many organizations. ITIL defined Service Desk's mission as "act as a

single point of contact for users and to facilitate the restoration of IT service with minimal business impact to the customers within the agreed service levels and business priorities” (ITIL IT Service Management Zone, 2008). Besides monitoring and owning Incidents or service requests, Service Desk facilitates communication between other Service Management functional teams with user community. Additionally, some Service Desk also expands support scopes to support Change requests and software licensing.

In the researched company – SamCorp (the actual name of the company is not disclosed as it would compromise confidentiality), Service Desk is the face of IT. Its importance directly impacts top and bottom lines. “The customer’s perception on the service provided by IT is often made or broken by the impression delivered by the Service Desk from the very first call.” (IT Performance Experts - Silversix, 2009) Therefore, service quality and performance of Service Desk is important not only in resolving user’s problem in the shortest time but also help to build good reputation of IT.

## **1.1 Problem Statement**

Service Desk is the first point of contact for users in regards of any IT related issues at SamCorp. However, Service Desk is not solely about the support scopes they provided, the utilization time of the agents and cost per incidents to the company. Besides helping to resolve user’s issue in the shortest time possible to minimize the impact to operation and production, customer service perception and satisfaction is rather important. To ensure excellence service quality and user experience, performance of Service Desk at SamCorp is critical to the organization. Problems such as poor troubleshooting and

communication, and customer dissatisfaction due to bad service quality had been common performance issues that need to be taken care and improved in order to meet customers' expectation at SamCorp.

Without effective Performance Measurement System and detailed analysis, management is unable to track the performance trend, identify the performance gaps as well as implement action plan to improve the operational performance and enhance customers' experience. Additionally, if performance measurement is not adopted, management may not be aware of the real ability of the employees and the development required to level up their soft skills and technical competency. Management may also overlook performance rating and rewarding which may lead to low working morale, high turnover and ultimately affect the service operation.

Measuring the performance of Service Desk is easy due to today's technologies and reporting package. However, the performance indicators that seem impressive at first glance are misleading sometimes and required management to examine closely. Service Desk that achieves very low average handling time does not mean efficient as it could be the Service Desk agent simply hang up the call without completely solving the issue. Even with all the performance data available, many managers are unaware of the actual performance of the Service Desk and thus unable to identify room for improvement to further enhance customer's experience.

To effectively evaluate Service Desk's performance at SamCorp, employees' performance measurement system plays a major role. Besides ensuring the employees fulfill their responsibilities, appropriate measurement and reward system also motivates them to perform to their best to meet the expectations and further enhance the customers'



experience. To do that, management sets performance expectations and goals for the functional teams and individuals, identify the measures that are critical to the operation in order to track and trend performance, monitor the performance to identify the performance issues, provide feedback, implement action plan, evaluate and reward accordingly.

## **1.2 Significance of Study**

Regardless private or public sector companies, all high performance organizations are interested or have deployed performance measurement system. This is because performance measurement system is essential in measuring performance of an organization and identifying improvement plan which is the key to stay competitive and sustainable. Service Desk, which is the face of IT at SamCorp is the single point of contact when IT related issues are encountered by users in an organization. Therefore, performance is critical to ensure level of service provided meet users' expectation and more importantly, building a good reputation of IT.

Before Service Desk's performance could be improved, it is important to study the significance of performance measurement system to an organization, the performance metrics adopted by the company and industry best practices, how organization utilize the system to identify rooms for improvement and respond to the performance problems. In addition, it's interested to investigate how good performance measurement system aids retention and productivity which in turn enhance customer experience.

### **1.3 Case Issues**

The issues examined in this case is to determine the performance measurement system of SamCorp Service Desk by looking at how the system is developed, the performance metrics used for measuring the performance of the Service Desk, top performance issues faced by the organization and action plan to close the performance gap to enhance customers' experience.

Below are the research questions that guide data collection:

- (i) What is the performance measurement system used at SamCorp and the Service Desk?
- (ii) What are the performance metrics used by the Service Desk at SamCorp and how are they developed?
- (iii) How the Service Desk agents are evaluated and rewarded?
- (iv) What are the top performance issues faced by the Service Desk at SamCorp and how does the management deal with performance gaps?
- (v) What are the employees' views on the performance measurement in Service Desk of SamCorp?

### **1.4 Organization of the Thesis**

The thesis covers literature review in Chapter 2 and industry profile and analysis in Chapter 3. In Chapter 4, methodology used in the thesis is discussed. Case write up and case analysis is written in Chapter 5 and 6 respectively. The final chapter which is Chapter 7 discusses the recommendations and conclusion of the thesis.

## **1.5 Summary**

The evolution of Service Desk is discussed in the background of study. Call Centre is to handle large volumes of telephone calls and dispatch the calls while Help Desk is to manage and resolve incidents quickly and effectively without emphasizing on service quality and service level agreement. In better handling incidents and provide quality service to users, Service Desk is implemented in many organizations, including SamCorp, the researched company.

Service Desk serves as a single point of contact for users in regards of IT issues. To ensure good performance and quality of service is demonstrated, effective Performance Measurement System and detailed analysis is required for management to track the performance trend, identify the performance gaps, provide feedback, implement action plan, evaluate and reward the employees accordingly.

## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

A brief overview of SamCorp, the IT division and the Service Desk is discussed in this chapter. Literature review on Service Desk, performance management and measurement system frameworks are covered in the next section. To further the discussion, characteristics of a good performance measurement system and its importance are covered. Then common measurement tools used to measure organization's performance as well as performance issues are mentioned in the last section of the chapter.

#### **2.1 Overview of SamCorp, the IT Division and the Service Desk**

SamCorp, founded in 1968 is based in California, United States. The core competencies of SamCorp are designs, manufactures, and sells integrated circuits for computing and communications industries worldwide. The products that have SamCorp's microprocessors embedded ranging from home PC, notebooks, netbooks, servers, workstations, storage products, communications products, consumer electronics and handhelds devices such as smart phones. The products are primarily sold to original equipment manufacturers (OEM), original design manufacturers (ODM), industrial and communications equipment manufacturers as well as PC and communication products

users. *(Source: The source of the information cannot be disclosed as it would compromise confidentiality).*

SamCorp's mission is to delight its customers, employees and shareholders by delivering the platform and technology advancements that become essential to the way people work and live *(Source: The source of the information cannot be disclosed as it would compromise confidentiality)*. SamCorp has 150 facilities in 63 countries and regions. SamCorp Malaysia is home to SamCorp's largest Assembly Test and Manufacturing facility. The plants are located at Penang and Kulim. SamCorp and its employees have been very active in corporate social responsibility. The company had won numerous awards and recognitions for the past 40 years.

The Information Technology (IT) division at SamCorp powers the company through delivering competitive IT solutions and operational services. There are 62 IT sites in 25 countries. IT is a large organization and critical for business operation. A key priority for SamCorp IT is to deliver the full value of SamCorp's information to enable rapid decision making and solve key business challenges. Through operational efficiencies, SamCorp IT is able to invest in new capabilities that enable SamCorp's growth strategy and technologies that create a competitive advantage for SamCorp.

Service Desk is part of the IT division at SamCorp. The Service Desk is the single point of contact that provides round the clock support for IT related issues to every internal employees and the external suppliers and customers that do business with SamCorp. Users could reach the Service Desk via phone or via the chat feature available in the Web. There are five functional teams in the Service Desk that focus on different

areas but the ultimate goal of Service Desk is to keep all the employees in the company productivity by resolving their issues in the shortest period of time with excellent service. Detailed of company profile and analysis is discussed in Chapter 5 – Case Write Up.

## **2.2 Service Desk**

As mentioned in the background of the study, Service Desk is the central point of contact for IT (information technology) support which provides solutions to all standard computer operating systems, applications and network connectivity issues on a day to day basis (Service Desk (ITSM)). It's also a focal point for reporting incidents and for service request. Users could reach the Service Desk via phone, web chat, and web ticket submission. Apart from acting as a single point of contact (SPOC) for all customers, Service Desk's objectives are to maximize service availability, to minimize downtime, and to enhance customer experience. Some people refer "Service Desk" as "Help Desk". The differentiation is Service Desk allows business processes to be integrated into the Service Management infrastructure. In the Information Technology Infrastructure Library (ITIL), service desk is defined as a primary IT capability in IT Service Management (ITSM) (Service Desk (ITSM)).

Without SPOC, an organization will suffer production impact, losses and waste of time in looking for resources or solutions to fix the problem when incident happens. Therefore Service Desk in IT is a competitive capability that directly impacts top and bottom lines.

There are two categories of Service Desk, in-house and external. In-house service desk is set up by the organization and usually operated by the company's own employees but it may also be outsourced to external parties. However, it makes no difference to the users from the service perspective and they view it as an internal support service whereas external service desk is set up by companies that deal with external customers who purchase the products or services (Heckman & Guskey, 1998). These service desk usually provide customer service or technical support line that assist the customers to solve any product related problems or clear their doubt by answering questions raised by customers. The call volume is huge especially for those large companies that conduct business worldwide. Example: DELL. This service is rather important and is view as competitive necessity criteria in business.

### **2.3 Performance Management**

Performance is referred to as being about doing the work, as well as being about the results achieved (Otley, 1999). Performance is a multidimensional construct, the measurement of which varies, depending on a variety of factors that comprise it (Fitzgerald and Moon, 1996). Performance management is a systematic process by which an organization involves its employees, as individuals or teams, in improving organizational effectiveness in the accomplishment of mission and goals (<http://www.opm.gov/perform/overview.asp>). In general, performance management includes activities to ensure that goals are consistently being met in an effective and

efficient manner. Performance management can focus on performance of the organization, a department, processes to build a product or service, employees, etc (McNamara, 2008).

There are different view and framework of performance management system. “Performance management system is often used to refer to human resource management systems (HRM) – an area where PMS are linked to controlling individual (employee) behavior” (Broadbent & Laughlin, 2006). The HRM approach consists of five systematic processes which are planning work and setting expectation, continually monitoring performance, developing the capacity to perform, periodically rating performance in a summary fashion and rewarding good performance (<http://www.opm.gov/perform/overview.asp>).

### 2.3.1 The HRM view of Performance Management:

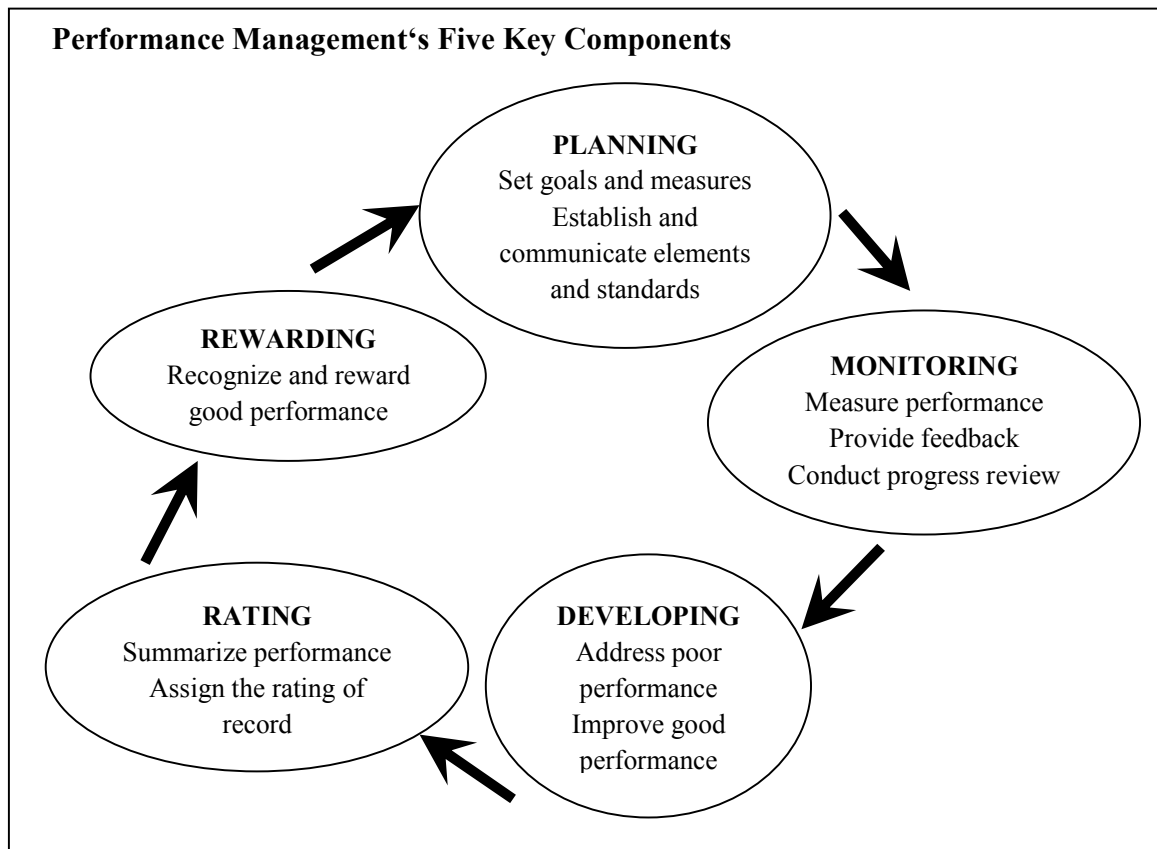




Figure 1: *Performance Management's Five Key Components*

Source: A Handbook for Measuring Employee Performance, 2001  
(<http://www.opm.gov/perform/wppdf/handbook.pdf>)

Planning involves setting goals and expectations for groups or individuals towards organizational objectives. It's said that involving employees in the planning process will help them understand the goals of the organization. In terms of employee's performance, planning includes establishing the elements and standards of their performance appraisal plans and these elements should be measureable, understandable, verifiable, equitable and achievable. After the goals and expectations are set, they should be monitored continually which means consistently measuring performance of the individual or groups against the set expectations and providing on-going feedback so that they know what is well performed and what requires improvement. Once issues or gaps are identified in the monitoring process, manager is able to work out the development plan for the employees or groups. For low performers, training shall be given to strengthen job-related skills and competencies. For out-performed employees, more challenging tasks or responsibilities shall be assigned so that they continue to learn and explore in advance levels. Rating come into place after the action plan is drawn out and implemented. Rating means evaluating employee or group performance against the set expectations and assigning a summary rating of record which involves pay increment etc. The last process in the system is rewarding. Rewarding is recognizing the performance of the employees and

acknowledging one's contributions to the team or organization. Reward and recognition are one of the key elements in motivating individual employees or team as a whole (<http://www.opm.gov/perform/overview.asp>).

Organizations shall integrate reward and recognition into performance measurement and management and to the business strategy. "A great deal of the way people behave is influenced by the way they are measured and rewarded" (Casioppe, 1999). If managers want people to achieve good performance when delivering service to customer, they should set clear goals and reward accordingly. Reward can be given based on individual or team's performance. For team model, rewards help to motivate team members to achieve the vision and goals through cooperation and they help reinforce the key roles and behaviors that are required for a successful team (Casioppe, 1999). Rewards and recognitions are categorized into three categories, from extrinsic to intrinsic.

- (i) Monetary form / prizes – Examples: bonus, incentives etc
- (ii) Recognition / awards – Examples: performance appraisal, thank you note, written recognition, appreciation dinner, or goodie award. Sometimes a simple "Thank you", "Well done, keep it up!" mean a lot to many people.
- (iii) Developmental / empowering work – Example: promotion, expanded responsibility.

Informal and formal rewards, appraisal, feedback and encouragement are very effective in motivating individual and team in achieving the goal and exceed customer expectation.

Therefore, organization and management shall often recognize and reward accordingly to show the appreciation of the employees' contribution. This not only motivates the people but also retain talents.

### 2.3.2 Otley's Framework of Performance Management:

On the other hand, Otley links performance management system to 'overall control system'. Otley points out that there are five main sets of issues that need to be addressed in developing a framework for managing organizational performance that are represented as a set of questions (Otley, 1999).

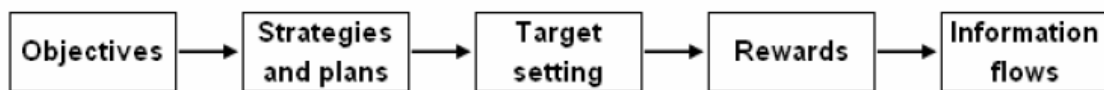


Figure 2: *Otley's (1999) framework*

The issues are as follows:

1. What are the key objectives that are central to the organization's overall future success, and how does it go about evaluating its achievement for each of these objectives?
2. What strategies and plans has the organization adopted and what are the processes and activities that it has decided will be required for it to successfully implement these? How does it assess and measure the performance of these activities?

3. What level of performance does the organization need to achieve in each of the areas defined in the above two questions, and how does it go about setting appropriate performance targets for them?
4. What rewards will managers (and other employees) gain by achieving these performance targets (or, conversely, what penalties will they suffer by failing to achieve them)?
5. What are the information flows (feedback and feed-forward loops) that are necessary to enable the organization to learn from its experience, and to adapt its current behavior in the light of that experience?

Otley mentioned that the issue 1 and 3 give more conceptual definition to the management of results and issue 2, 4 and 5 give the management of the determinants of these results (the means used to achieve these results). “The HRM understanding of PMS is also swept into Otley’s framework in issue four” (Broadbent & Laughlin, 2006).

Ferreira and Otley (2005) then develop Otley’s (1999) framework by expanding the five issues to twelve issues, eight of which relate to more functional concerns about performance management system design and four to more ‘contextual and cultural’ factors which underpin and to an extent guide the more functional concerns (Broadbent & Laughlin, 2006).

Figure below illustrates the performance management and control framework developed by (Ferreira & Otley, 2005).

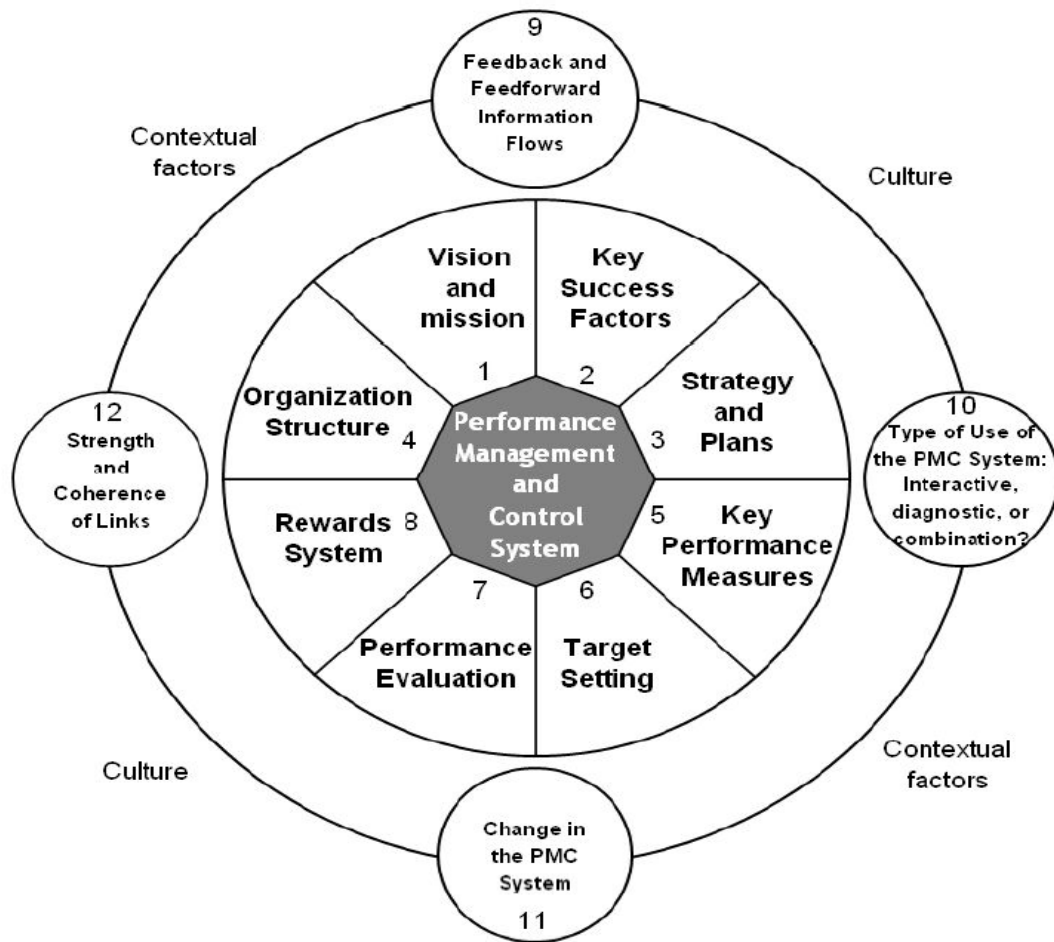


Figure 3: *The Performance Management and Control Framework* (Ferreira & Otley, 2005)

The twelve issues/questions are as follows:

1. What is the vision and mission of the organization and how is this brought to the attention of managers and employees?
2. What are the key factors that are believed to be central to the organization's overall future success?

3. What strategies and plans has the organization adopted and what are the processes and activities that it has decided will be required for it to ensure its success?
4. What is the organization structure and what impact does it have on the design and use of the performance management and control system? How does it influence and is influenced by the process of strategy implementation?
5. What are the organization's key performance measures deriving from its key objectives, key success factors, and strategies and plans? How does the organization go about assessing and measuring its success in achieving them?
6. What level of performance does the organization need to achieve in each of the areas defined in the above questions, and how does it go about setting appropriate performance targets for them?
7. What processes does the organization use for evaluating individual, group, and organizational performance? How important is formal and informal information on these processes? What are the consequences of the performance evaluation processes used?
8. What rewards (both financial and non-financial) will managers and other employees gain by achieving performance targets (or, conversely, what penalties will they suffer by failing to achieve them)?
9. What specific feedback and feed-forward information flows has the organization devised for itself? What sort of information flows have been created for monitoring current performance and bringing about adaptation of current behavior? What types of feed forward information flows (if any) have

been formulated to enable the organization to learn from its experience, to generate new ideas and to recreate strategies and plans?

10. What type of use is given to feedback and feed forward information flows and to the various control mechanisms in place? Is use predominantly diagnostic, interactive, or a combination of both?
11. How has the performance management and control system changed in the light of the change dynamics of the organization and of its environment? What changes have occurred at the level of those systems in anticipation or response to such stimuli?
12. How strong and coherent are the links between the components of the performance management and control system (as denoted by the above 11 questions)?

(Ferreira & Otley, 2005)

The twelve questions/issues provide ‘a heuristic tool to facilitate the rapid description of significant aspects of control systems design and operation’.  
(Ferreira & Otley, 2005)

## **2.4 Performance Management in Service Desk**

As mentioned in the HRM approach, Cleveland & Harne (2004) discussed that the first stage in performance management is setting goals and expectations for groups and individual towards organizational objectives. In Service Desk, management shall ensure that the Service Desk agents understand the nature of the Service Desk objectives

and responsibilities then only establish the right goals and expectation for the right group of people. Cleveland & Harne (2004) also mentioned that the very basic expectations for Service Desk agents are identify the issues faced by users or the requests raised, and then apply the knowledge and skills to resolve the problems in a high quality manner to deliver good customer experience through good knowledge of products and services, quality customer service and excellent call handling skills. Each of the issues and request raised by users must be logged into a ticketing system. To ensure information is accurately tracked, employees shall enter accurate and complete information which will be used for future analysis. Adherence to schedule is another key. Agents shall be puncture and come to work based on the planned schedule. Apart from that, the expectations and goals are set based on the Service Desk key performance indicators (KPI) such as first call resolution rate, customer satisfaction and others. The details of the KPI will be discussed in the later section.

Monitoring is carried out to maintain and improve performance quality and to identify performance gaps. The fundamental monitoring program in Service Desk is the calls record and monitoring to evaluate how agents handle calls. Besides call monitoring, managers also monitor the performance of the agents by reviewing the tickets or through the scores of the performance metrics in the tracking system (Cleveland & Harne, 2004). Managers then provide constructive feedback to the employees. Coaching through informal or one-on-one discussion could be effective for both manager and employees to clarify the performance goals and formulate the action plan to address the performance issue. Manager could also utilize the coaching session to provide customized practice tailored to the individual or recommends specific behaviors in which the employees need



improvement. If the performance issue is due to technical competency or customer service, then training such as communication skills, problem solving skills, product knowledge shall be arranged. For employees that perform up to expectation, managers could assign more challenging tasks or give more responsibilities. Rating comes into place to summarize the performance and rate the performance based on the observation notes, 360-review and individual performance indicators. To avoid misinterpretation, biases perception and to achieve consistent application of scoring, manager shall calibrate with agents the scoring system (Cleveland & Harne, 2004). Last but not least is to reward and recognize individual or team for a good job done. Implement rewards and recognition practices motivate agents striving to do their best. The common incentive types in Service Desk are to increase the agent's base pay, give out bonuses, non monetary rewards such as meal coupons, merchandise, movie tickets, paid time off or issue of certificates or plaques or recognition in organization newsletter (Cleveland & Harne, 2004).

## **2.5 Performance Measurement**

Performance measurement system consists of a set of performance targets and indicators combined with a tracking tool and reports. As performance measures are tie to organization's goal and objectives, it helps an organization to better understand, manage and improve its performance by telling how well the organization is doing, if the processes are in statistical control, if the organization is meeting the set goals, if and where improvements are necessary (<http://www.orau.gov/pbm/documents/overview/wapm.html>).

Quality of a particular performance measures are rather important in determining whether measures are defined correctly and make sense. One of the common approaches used is SMART Test. SMART stands for Specific, Measurable, Attainable, Realistic and Timely. Specific is a measure should be clear in definition, easily to interpret and focus. This is to avoid misinterpretation, measurable means the metrics should be quantifiable and allow for statistical analysis, attainable means reasonable and achievable. It is important to avoid setting goal that is very difficult to achieve. Industry standards shall be used for benchmarking. Realistic means the measure should integrate into the organization's goal and objectives and mutually agreed by the stakeholders and customers and timely means set measure should be doable within the given period. It is ridiculous to define measure that can only be achieved in years.

### **2.5.1 Characteristics of a Good Performance Measurement System**

A good performance measures play an important role in an organization's daily operation. Below are the characteristics of a good performance measurement system:

- Results-oriented: focuses primarily on outcomes and outputs
- Selective: concentrates on the most important indicators of performance
- Useful: provides information of value to the agency and decision-makers
- Accessible: provides periodic information about results
- Reliable: provides accurate, consistent information over time

Source: Guide to Performance Measure Management 2006 Edition, 2006

(<http://www.fpm.com/journal/mattison.htm>)

### **2.5.2 The Importance of Performance Management and Measurement System**

Performance management and measurement system enables management to know how the organization performs and ultimately improving the performance. It is important for several reasons. It focuses attention on the organization's goal and objectives, and compels organizations to concentrate on time, resources, and energy to fulfill the target. It measures the performance and provides feedback on progress toward objectives as well determines the effectiveness of the organization. If results differ from objectives, organizations can analyze gaps in performance and make adjustments. It identifies areas that require attention and strengthen decision-making at all levels by enabling decision-makers to diagnose weak performance, identify action plan, and track improvement. It improves communication of outcomes to key audiences. Quantifying achievements and the impact of activities enables organizations and programs to demonstrate results to internal and external stakeholders (ICF International, 2006). More importantly, it aids employee retention and increase productivity. Performance measurement expert, Mark Graham Brown (1999), points out that "Improvement is impossible without measurement and effective management. As elaborated by Artley & Stroh (2001) p.15 "If you don't know where you are, then you can't know where you're going and you certainly can't get to where you want to be".

## **2.6 Common Measurement Tool Used to Measure Organization's Performance**

It's found that most organization adopted Balanced Scorecard in measuring its performance. The Balanced Scorecard concept is introduced by Robert Kaplan and David Norton. It is a strategic planning and management system that is used extensively in business and industry, government, and nonprofit organizations worldwide to align business activities to the vision and strategy of the organization, improve internal and external communications, and monitor organization performance against strategic goals (Balanced Scorecard Institute).

The Balanced Scorecard consists of four perspectives. They are:

- (i) Financial – How do we look to our stakeholders?
- (ii) Customer – How well do we satisfy our internal and external customer's needs?
- (iii) Internal Business Process – How well do we perform at key internal business processes?
- (iv) Learning and Growth – Are we able to sustain innovation, change, and continuous improvement?

Each of the perspective ties to the organizational strategy and strategically linked performance objectives and measures flow from these perspectives, providing the user with an integrated performance measurement system (Artley & Stroh, 2001)

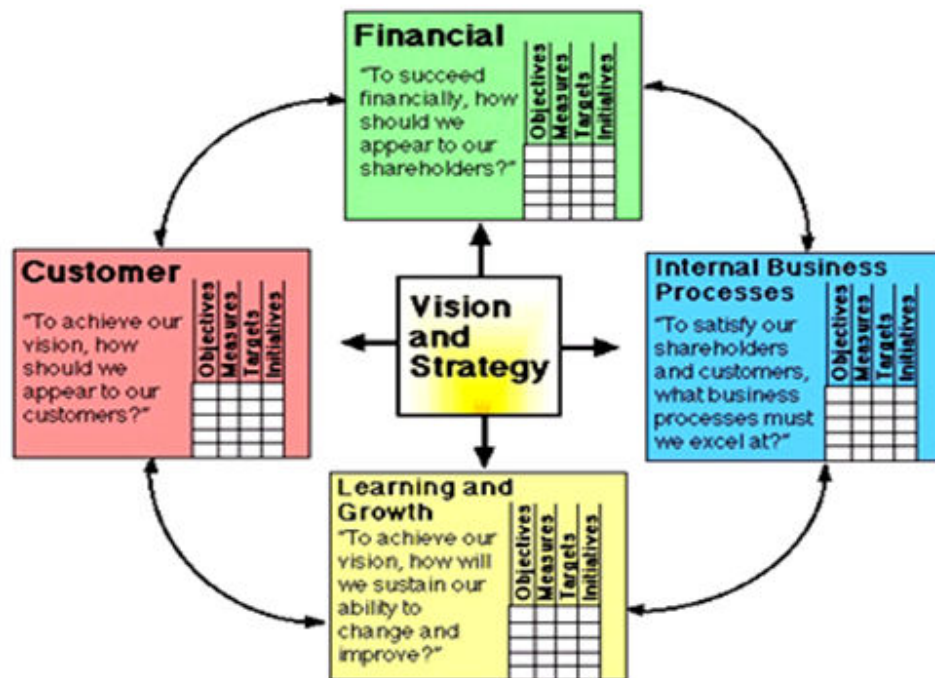


Figure 4: *The Balanced Scorecard by Kaplan & Norton*

Source:

<http://www.balancedscorecard.org/BSCResources/AbouttheBalancedScorecard/tabid/55/Default.aspx>

## 2.7 Performance Measurement in Services Sector

In service sectors, performance can be measured in two categories, financial and non financial. Most of the organizations focus on the financial related metrics which are profit, return on investment, revenue growth and gross margin. However, these metrics are the results of the performance and not the determinants of performance. Over the past decade, organizations come to realize the importance of non-financial performance