

Sense, Essence and Essentiality of Performance Management System - An Analysis

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ABSTRACT

Performance Management System (PMS) is important for organizations. The essence of PMS should be clearly understood by the employees working with different responsibilities. Clarity, acceptability, space for incorporating modifications, scope for employee development and similar features should be there with PMS. In this study, association of PMS with Job Satisfaction (JS) has been explored which reveals a positive and significant association. The essentiality of PMS viewed by the employees for the development of employees as well as for the organization is also the finding by the researchers.

Introduction

Performance Management System (PMS) plays a vital role in managing the performance of an organization. It ensures the understanding and creating importance among the employees through contribution to organizational goals. And such system also facilitates harmonious relationship at the workplace creating team spirit and mutual trust among the employees. A great deal of employees' effort is driven to organizational success through PMS. Acceptability and integrity with organization values, fascinated by the organizational aroma and development of high performance work teams are possible by effective HR system from which PMS attributes a major credit. The successful implementation of strategy, policy measures depends on the organizational members as their perceptual values get carry forward for achieving the organizational objectives through their contribution at workplace. The Performance Management System along with different factors attribute to Job Satisfaction (JS) which lead to enhancing employee performance. In this context, it is quite pertinent to explore the relationship between PMS and JS which has been studied in this research.

Review of Literature

The functions of Performance Management System (PMS) include performance appraisal process, entering partnership with external consultants, decisions to allocate financial resources for incentives and aligning goals with organization's strategic goals. The study results that overall functions of PMS has a significant positive impact on alignment. The financial support has also an impact on PMS function. The main activities of PMS include performance management system needs, job

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evaluation, performance appraisal process, employee compensation and rewards (Sripirabaa & Krishnaveni, 2009). The HR practices should be designed and implemented looking into the suitability of the organization specific and to be employee friendly. The essence of PMS needs to corroborate the interests of different organizational members. PMS is aimed at improving the performance of employees and enhancing organizational performance (Huselid, 1995; Koch and Handley). Managers' emphasize the function of PMS as a process which include designing, integrating, appraising and rewarding employee performance (DeNisi and Pritchard, 2006). The exorable linkage of individual and organizational performance is important Employee perception of HR practices mediated the relationship between HR system and HR outcomes (D. Hartog, C. Boon 2013). In the generic framework of performance management, interests of organization, market, values, culture and stakeholders need to be integrated (Anderson et.al. 2006). Communication is one of the key success factors in performance management in organizations (B. Josef, B. Leist, 2013). The goals of the performance management system should congruent with organizational and employee goals. It has been revealed that performance measurement and management in organizations experience implantation problems including goal congruence (Taticetri, Balachandran and Tonelli, 2012). PMS is interpreted as a broad set of functional activities encompassing performance appraisals, feedback, counseling, coaching, career planning, rewards and training & development (T & D). The process of performance appraisal links exhibited performance and expected performance in organization (Wood, 1999). The actual and potential performance of current and future employees are measured through performance appraisal which are executive by managers (Bartram, 2004). Performance management is a key aspect of organizational functions. The employees' performance has to be linked with HR functions and organizational performance (R Lansbury, 1998; Kohli, 2008; Panda, 2014). Performance management is to manage the work behaviour. It follows a data guided approach (Danich & Rosen, 1984), and effective achievement of organizational goals and objectives through the process of identifying, evaluating and developing the employees' performance (Lansbury, 1988). The paradigm shift in the field of performance management and measurement from financial aspect to integrative and operative perspective to strategic one has been viewed in last two decades. The necessities of performance management in different periods of time and in order to tune the organizational performance to meet the changing business environment; dynamics and effective performance measurement systems have been developed (N. Yadav and M. Sagar, 2013). Performance management has been covered in many fields like operations management, management accounting, strategic management, organizational management. There is an increase in research interests in the performance management and measurement area (Taticchi and Balachandran, 2008). Performance management is a process for managing the performance of a company in congruence with corporate and functional strategies and objectives for which performance management is a key function (Lebas, 1995). A sound performance should identify and describe essential job functions and relate to company's goals, develop realistic and appropriate standards for measurement of performance, provide feedback unbiased specify constructive appraisals with scope for development of employees (Kohli, 2008; Chadha, 2009). The essence of PMS and its expectations can be achieved through collaborative and mutual trust. The key role of an organization is played by Performance Management System as it is a means of getting the better results from an organization its working teams and employees (M.

Armstrong, 2010). PMS creates a work environment for the organizational members to exhibit their best of their abilities (Snell, Bohlander and Vohra, 2012). PMS should ensure goal congruence in organization (Sharon Pande et. al. 2012). The process followed in PMS expects the desired outcome to be achieved and enables an organization to complete in the market and such performance management system is really vital for managing employees' and organizational performance (Rao, 2007). There are certain characteristics like congruence, specificity, meaningfulness, standardization, openness, ethicality, acceptability, practicality change, evaluating criteria should be there with PMS to be successful (Aguinis, 2009; Kohli, 2008).

It is revealed in different studies about the importance of PMS for an organization. The characteristics of the PMS should be understood by the employees. The intrinsic nature of Performance Management System (PMS) should reflect the organizational expectancy from the employees. The policy, objectives, methods, overall mechanism of PMS should be clearly communicated to the employees. Better idea of PMS among the employees help in minimizing conflicts and achieving the department and organizational goals.

The study has explored the relationship between Performance Management System (PMS) and Job Satisfaction (JS). It is quite pertinent to discuss Job Satisfaction and relevant studies. Job Satisfaction refers to job situation of an individual addressing to past and present situations in organization (Locke, 1976). Important components of Job Satisfaction include pay, relation with co-workers, supervisors and job security, recognition, autonomy, work environment and desired job (Cross, 1973; Scarpello & Campbell, 1983; Khaleque & Rahman, 1987). According to Smith et al. (1969), job satisfaction has work, pay, promotion, supervision and relationship with co-workers are the constituents of Job Satisfaction. In their study, Hackman & Oldham (1975) viewed Job Satisfaction is composed of certain elements viz; job security, pay, social relations, supervisory and growth of employees in organization. It is revealed that job satisfaction is the indication of the extent of happiness of an employee and the degree of satisfaction can be improved by changing attitude towards the job or changing to a new job environment (Macdonald and McIntyre, 1997). In a study conducted on the association between Performance Management System and Job Satisfaction by T.Y. Mallaiah (2008), the motivation-performance-satisfaction linkage was emphasized and indicated that Job Satisfaction as one of the key criteria for the establishment of healthy organizational structure. And the study suggested for improving physical, social and psychological conditions in the workplace to improve job satisfaction among the employees.

Scope and Objectives

This research is conducted in a Paper producing company located in Southern India. The samples collected have been grouped based on three demographic variables viz; age, experience and promotion. The study has the following objectives.

- n To investigate the association between Performance Management System and the Job Satisfaction among the employees.
- n To explore the importance of Performance Management System being viewed by the employees.

Hypothesis

H0: There is no association between Performance Management System (PMS) of the company and Job Satisfaction (JS) among the employees.

H1: There is association between Performance Management System (PMS) of the company and Job Satisfaction (JS) among the employees.

Research Methodology

A questionnaire survey method was used to seek responses from managers, supervisors and workers engaged in a paper manufacturing company, India. The necessary and relevant data were collected based on a validated instrument from the participants in the study. The secondary sources were explored and referred in this research. The six dimensions of Performance management System model (M. Armstrong, 2009) were taken in this research. The study adopted simple random sampling method. The researchers conducted a pilot study using a preliminary draft questionnaire. Reliability of the variables was ensured by examining the Cronbach's alpha coefficient value which is 0.78 which is considered to be acceptable. The questionnaire has four sections. The first part contains the questions relating to demographic details of respondents, second part contains the items relating to Performance Management System (PMS) based on the scale developed by R. Krishnaveni (2008). This section is comprising of 17 items being measured from strongly disagree (1) to strongly agree (5) on a five point Likert scale. The third section has questions on Job Satisfaction (JS) which has 5 items based on Job Description Index of Smith (1969). The fourth section has open ended questions intended to study the importance of PMS as viewed by the employees. The total number of respondents (N = 500) includes Managers (100), Supervisors (100) and Workers (300).

Demographic Details

The demographic details of the responding participants are given in Table I (A), (B) & (C). The different aspects of their demographic details of the respondents are self-explanatory. The data in the tables have been collected from the primary source.

Table I (A) : Demographic Profile of Respondents

Manager	Category-wise Distribution	Number & % of Samples
Age	i. 20 – 30 Years	4 (4%)
	ii. 30 – 40 Years	23 (23%)
	iii. 40 – 50 Years	48 (48%)
	iv. 50 Years & above	25 (25%)
Qualification	i. Matriculate	0 (0%)
	ii. Intermediate	11(11%)
	iii. Graduate	65 (65%)
	iv. Postgraduate	24 (24%)
Experience	i. 0 - 5 Years	21 (21%)
	ii. 5 - 10 Years	36 (36%)
	iii. 10 - 15 Years	32 (32%)
	iv. 15 Years & above	11 (11%)
	Total	100 (100%)

Table I (B) : Demographic Profile of Respondents

Supervisor	Category-wise Distribution	Number & % of Samples
Age	v. 20 - 30 Years	7 (7%)
	vi. 30 - 40 Years	16 (16 %)
	vii. 40 - 50 Years	56 (56 %)
	viii. 50 Years & above	21 (21%)
Qualification	v. Matriculate	14 (14 %)
	vi. Intermediate	66 (66 %)
	vii. Graduate	11 (11 %)
	viii. Postgraduate	9 (9 %)
Experience	v. 0 - 5 Years	11 (11%)
	vi. 5 - 10 Years	23 (23%)
	vii. 10 - 15 Years	53 (53%)
	viii. 15 Years & above	13 (11%)
	Total	100 (100%)

Table I (C) : Demographic Profile of Respondents

Worker	Category-wise Distribution	Number & % of Samples
Age	ix. 20 - 30 Years	43 (14.33 %)
	x. 30 - 40 Years	134 (44.66 %)
	xi. 40 - 50 Years	92 (30.66 %)
	xii. 50 Years & above	31 (10.33 %)
Qualification	ix. Matriculate	38 (12.66 %)
	x. Intermediate	151 (50.33 %)
	xi. Graduate	87 (29 %)
	xii. Postgraduate	24 (8 %)
Experience	ix. 0 - 5 Years	29 (9.66 %)
	x. 5 - 10 Years	138 (46 %)
	xi. 10 - 15 Years	104 (34.66 %)
	xii. 15 Years & above	29 (9.66 %)
	Total	300 (100%)

Results and Discussion

It was hypothesized that the Performance Management System (PMS) has no association with Job Satisfaction (JS). In order to ensure the relationship between these two variables viz; PMS as independent variable and JS as dependent variable, analysis for correlations have been conducted. The result has been collated and tabulated as given below. (Refer Table 1). The association of different dimensions of PMS has been reflected in the table.

Table II : Correlations between PMS and JS

Sl. No.	Performance Management System (PMS)	Job Satisfaction (JS)	p=
1	Performance Planning (PP)	0.631*	0.000
2	Performance Appraisal (PA)	0.785*	0.001
3	Performance Management (PM)	0.161*	0.015
4	Performance Feedback (PF)	0.282*	0.011
5	Performance Monitoring (PMo)	0.269*	0.006
6	Performance Training (PT)	0.727*	0.003
	Overall PMS Score	.416	0.000

N= 500, Correlation is significance at the 0.05 level.

In the above table, Job Satisfaction (JS) is the dependent variable and Performance Management System (PMS) is the independent variable. There are six dimensions of Performance Management System. It is evident from the correlations coefficient values that all the dimensions have correlations with Job Satisfaction. The Performance Appraisal has highest correlation ($r=.785$, $p=.001$) followed by Performance Training ($r=.727$, $p=.003$), Performance Planning ($r=.631$, $p=.000$), Performance Feedback ($r=.282$, $p=.011$), Performance Monitoring ($r=.269$, $p=.006$) and Performance Management ($r=.161$, $p=.015$). The overall Performance Management System resulted positive and significant association with Job Satisfaction having 0.416 value. The significance of the association among different variables is evident from the respective statistical 'p' values.

PMS and its importance

The response of the participants regarding the importance of PMS has been collated and tabulated below. The views have been tabulated under three categories. The managers, supervisors and workers have mentioned how the PMS is essential for the organization in different perspectives.

Table III : Category-wise response of employees about importance of PMS

Category	Importance for Employees only	Importance for Organization only	Importance for Employees and Organization	Total
Manager	4 (4 %)	9 (9 %)	87 (87 %)	100 (100 %)
Supervisor	26 (26 %)	33 (33 %)	41 (41 %)	100 (100 %)
Worker	237 (79 %)	24 (8 %)	39 (13 %)	300 (100 %)
Total	267 (53.4 %)	66 (13.2 %)	167 (33.4 %)	500 (100 %)

Source: Primary Source

The importance of Performance Management System was viewed by the responding participants. The above table shows that among the managers, more than three-fourth of them viewed the importance PMS for both employees as well as for organizational development. Very few have stated its importance either for the exclusive purpose of the employees or for the organization only. In case of supervisors, two-fifth has favoured the importance of PMS for the development of organization and also for employees. Among the workers, three-fourth of the respondents stated the essentiality of PMS for the employees only and little more than one-tenth have indicated the importance for organization and employee benefit purpose. It clearly shows that there is need of better awareness among the participants so that they could be in a position to relate their goals with the larger goal of the organization. The causes of importance stated by the respondents have been tabulated (Table IV).

Table 4 : Employees' views on importance of PMS

Category of Respondents	Causes of Importance of PMS
Managers	<ul style="list-style-type: none"> n Helpful in employee performance appraisal n Evaluate employee contribution n Sensitizing employee regarding own task and responsibilities n Assessing the progress as per schedule n Designing Training & Development programmes n Competency Mapping n Employee transfer n Promoting employee/s n Achieving organizational goals n Managing working teams n Assigning challenging tasks to employees n Rewarding employees
Supervisors	<ul style="list-style-type: none"> n Monitoring employees n Corrective measures for employee's job activities n Developing employee behaviour n Betterment of organization n Directing employee's activities at work place. n Assessing the job behaviour of individual/work team
Workers	<ul style="list-style-type: none"> n Helps in promotion n Work as per the schedule n Developing organization n Understanding individual job responsibilities n Linking individual contribution to working team/s

Source: Compiled from primary source

The data in the above table reveals that the managers have indicated more causes for the importance to PMS than other two categories of respondents. The managers' felt that PMS helps in appraising the employee's performance along with identifying the performance gaps between the expected and the performance being delivered. Different measurable areas like timely completion of work, job behaviour, competency mapping, designing training & development (T & D) programmes; and in framing HR activities like transfer, promotion & employee separation; PMS provides the necessary inputs. PMS is also vital as it has linkage with employee reward system. The essentiality of PMS is felt by the supervisors. In monitoring the employees, directing their job activities and in correcting their works, PMS has a key role to play. The workers' viewed that PMS is helpful for their promotion and for timely completion of their assigned work. Some employees also reflected the linkage of employee's contribution to team performance. The desired behaviour of the team members are streamlined by Performance Management System as it sets the goals of the members and the team along with linking them with greater goal of the organization.

Discussions

The employees should feel that parties involved directly or indirectly with the affairs of an organization are equally important from the PMS perspective. And such feeling can drive them to precipitate, proliferate and propagate the organizational success. The employee's interpretation about PMS of their company is vital as its analysis provide inputs for strengthening the existing organizational system. An organization needs not only to measure and manage its current performance but also to fulfill the expected performance results in future. The vital role of PMS is viewed by the employees.

There is a positive and significant association between PMS and Job Satisfaction. It indicates that by changing effects of different dimensions can impact Job Satisfaction level of employees. By strengthening PMS more in terms of better feedback, monitoring, management and motivating employees to make better involvement in performance management activities would help in achieving organizational goals in long term. The PMS-JS-P (Performance Management System-Job Satisfaction-Performance) linkage would strengthen the organization better.

All employees should understand and work as per the expectations of the PMS. It is not the managers, supervisors or workers alone can achieve the results for the organization. All the categories of the employees have to work for the development of the organization and thereby their own goals can be achieved. It is suggested that the top management and HR department should take strategic measures to develop the employees and bring synergy of their efforts for the greater benefits of the organization.

Implications

The study reveals that employees give importance to Performance Management System from organization as well as employee perspectives. The impact of PMS on Job Satisfaction (JS) is expected to have great implications on organization. Future studies can establish this statement further along with exploring new insights in this light. The characteristics of the PMs have been featured in different studies. What should be basic features of an effective PMS can be an area of

future study for the academicians as well as for practitioners. The extent of impact of perception about PMS of an organization on job performance linking Job Satisfaction can also be an interesting area of further research. The present study provides some insights for future research which can be done in the area of policy issues, implementation, facilitating/inhibiting factors of performance, need and impact of changes in other HR sub-systems on PMS and the allied areas. There is also scope for research to create SMART (Sincere, Motivated, Adaptable, Result-oriented & Trust-worthy) employees with the use of PMS in an organization.

Conclusion

The Performance Management System (PMS) is expected to create a positive sense among the organizational members. The positive and significant association between PMS and Job Satisfaction (JS) is an interesting finding of this study. There is a scope for developing the perception of employees in the organization which can be done by communication, encouraging employee participation and creating importance of PMS for the organization. The importance of PMS in the employees can be created to attain long-term organizational goals along with the fulfillment of employee's goals. The essence of PMS provides the spirit, enthusiasm and interest to work for the employees. The SMART (Specific, Measureable, Attainable, Realistic & Time bound) goals should be reflected in the features of PMS of the organization with having scope for change as per the needs of the time in accordance with the market demands. Developing SMART (Sincere, Motivated, Adaptable, Result-oriented & Trust-worthy) employees for achieving SMART goals should be the focus of PMS. It is essential for employees as well as for the organization in the present time and also for future. PMS helps in evaluating the extent of achievement of employee and organizational goals and their congruence with strategic goals. And by using PMS, the probable leading and lagging factor can be explored and effective measures can be taken to improve the organizational performance.

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