

Performance Management System & Employees Motivation – Correlation

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Abstract: Today is the world of industrialisation, industries are growing very fast with upcoming technology which is today's need in the interest of both the industries as well as employees. To make an organisation successful it is essential to keep the employees motivated, as motivated employees produce better. Performance management system is one of the important tool to keep employees motivated and by analysing their performance an organisation must pay them compensation benefit. A well-managed performance management system in an organisation is very important as it has a great impact on employee's motivation and end results. Majority of organisations has performance management system in place as a matter of organisation policy, where as some organisations finds it difficult to implement the performance management system because of various aspects especially non confirmation of specific tools of measurement of employee's performance. Many organisations fails in achieving their goals due to either lack of performance management system or due to biasness while implementation of the system. Performance management system helps an organisation to successfully achieve organisational objectives. This research paper analyses the perception of managers or implementers about the importance of performance management system and to find out the cultural and work effectiveness of an organisation i.e. an experience of organisations overall effectiveness on implementation of performance management system.

Key Words: Performance management system, motivation, employee's work effectiveness, organisational achievement.

Introduction: "Failure will never overtake me if my determination to succeed is strong enough " .

Performance management system is becoming an important tool in present scenario of high competition amongst the employees as well as organisations. Therefore, each employee and an organisation are continuously finding ways to lead others. Everyone is making efforts to reduce the product cost to the best possible extent and to deliver the goods as per customers need and satisfaction. To manage the triangular frame of employees motivation, customers need with satisfaction and organisations end interest, the optimum utilisation of human resource is very important which is possible only if the employee's performance is taken care of by proper measurement.

Human resource manager in consultation with other responsible managers of other departments of an organisation plays an important role in proper implementation of performance management system in an organisation. This study reflects why performance management system to be implemented and how employees motivation depends upon it. Performance management at the focus of modern management and organisation, research theory and practice mainly is oriented at employees as pillars in creating new value in the form of goods and services in an organisation. Integrated system of performance management helps to enhance the expected results and fulfilment of an organisation goals. Measuring employee performance is of special relevance as it leads to employee motivation which ultimately enables higher performance of every employee.

The outcomes of employee performance management are among others, keeping the best employees and identification of worse employees. It is also emphasised that one of the significant outcome and impact of employee performance management is the measurement of level of employee motivation. Employee's motivation is viewed as organisational culture having impact on overall philosophy, attitude, beliefs and values.

Expectation of educated and experienced employees, their motivation at the work place and assignments they complete are important factors for success of an organisation.

Literature Review: The term performance management was first used in 1970's but it was not known as a recognised process until the latter half of 1980's. Performance management system during the industrial revolution was simple and crude. According to Farnham (2004) 2/3 of big organisations had performance appraisal system during 1950's in America and in 1960's in Europe. By virtue of legislations organisations were compelled to adopt some sort of system for performance measurement in Britain during 1980-1990's.

In present scenario an organisations has to work in a dynamic, viable and competitive environment. Secondly for sustainability organisations has to take care of customer demands and other factors, likewise to achieve the goals and for success of an organisation they have to focus on following objectives –

- 1) To retain talent
- 2) To adopt methods to lead employees
- 3) To achieve organisations vision, mission, objectives and goals
- 4) To keep employees motivated
- 5) To create and maintain competitive environment in an organisation

Performance management system is a strategic and integrated approach towards sustainability and success of an organisation. In addition to performance management system, organisations has to adopt human resource management practices to improve the group as well as individuals performance, which in turn will develop the capabilities of teams as well as individual contributors. The main and important objective of performance management system is to improve the quality and services through effective and efficient solicitations of resources. Performance management system helps to measure the individual's performance in an organised and scientific manner. Performance management system is a process of evaluating progress towards achievement of determined goals of an organisation.

According to the study conducted by Johnson & Kaplan (1987), there is a necessity to have new management approach to manage the performance of an organisations as the traditional ways have lost their importance and relevance, therefore, therefore, the performance management system was developed to manage the overall performance of an organisation.

According to Hewitt Associates (1994) performance management system has the significant impact on financial performance and productivity of an organisation. The study reveals that, the organisations with performance management system have stronger stock market performance, higher profit, productivity is at par with the industry average and better cash flow.

Holloway et al. (1995) emphasized that, the successful implementation of performance management system depends of behavioural factors. It is considered that behaviour and culture needs to be incorporated in order to develop effective performance management system.

Simons (2000) states that, the performance management system can't be effectively designed and implemented without considering human behaviour.

Roberts (2001) explains that, performance management system involves following programmes-

- 1) Setting of individuals and organisation goals
- 2) Implementation of performance appraisal system
- 3) Reward strategies and schemes
- 4) Employee training and development strategies
- 5) Employee feedback, communication and coaching
- 6) Employee career planning
- 7) Monitoring effective performance management system

Armstrong & Baron (2004) emphasized that, performance management system is a tool to ensure managers effectiveness.

Watkins (2007) suggest that performance management system is essential for improving organisational performance both in public and private sectors.

Helm et al. (2007) noted that performance management system is vital to an organisations performance for various reasons like, achievement of organisations vision, mission and objectives, development of performance oriented culture within an organisation, alignment of employees goals with that of organisations goals, improvement in employees performance, clarification about performance expectations by an employee and identification of talent for payment of compensation benefit.

According to Du Plessis (2007) implementation of performance management system encounters resistance at various modes within an organisation.

Sole (2009) explained that performance management system can be influenced by internal and external factors.

Bhattacharjee & Sengupta (2011) emphasized that, employees are the most valuable assets for an organisation therefore, it is very important for an organisation to monitor human resource of an organisation. It is again challenging job to identify the gap between actual competence and desired competence.

According to Toppo & Prusty (2012) performance management system and performance appraisal were considered to be one of the emerging issues since last decade. They emphasized on the critical areas of the appraisal system and defined that performance management system is a better tool than performance appraisal system as it overcomes the limitations of the latter.

Performance management system provides an answer to important questions for both the employees and an organisations.

(i)How well am I doing?

(ii)How can I do better?

(iii)How well employees doing well both individually & collectively?

Research Objectives: Research objectives are taken as mentioned below:

(i) To study the impact of performance management system on employee's motivation.

(ii) To analyse the perception of managers about the implementation of performance management system within an organisation.

(iii) To analyse the impact of performance management system on employees effectiveness.

Research Methodology: To conduct the research study qualitative research method is used. Primary data is collected by distributing the standard questionnaire amongst the employees of different organisations to collect their views about the performance management system.

Sample Size: The questionnaire was distributed amongst 500 employees of different organisations out of which 350 participated in an interview and submitted questionnaire duly filled in by them, and as such the sample size is 350 employees in numbers. Analysis is done by simple method used for calculations of percentage.

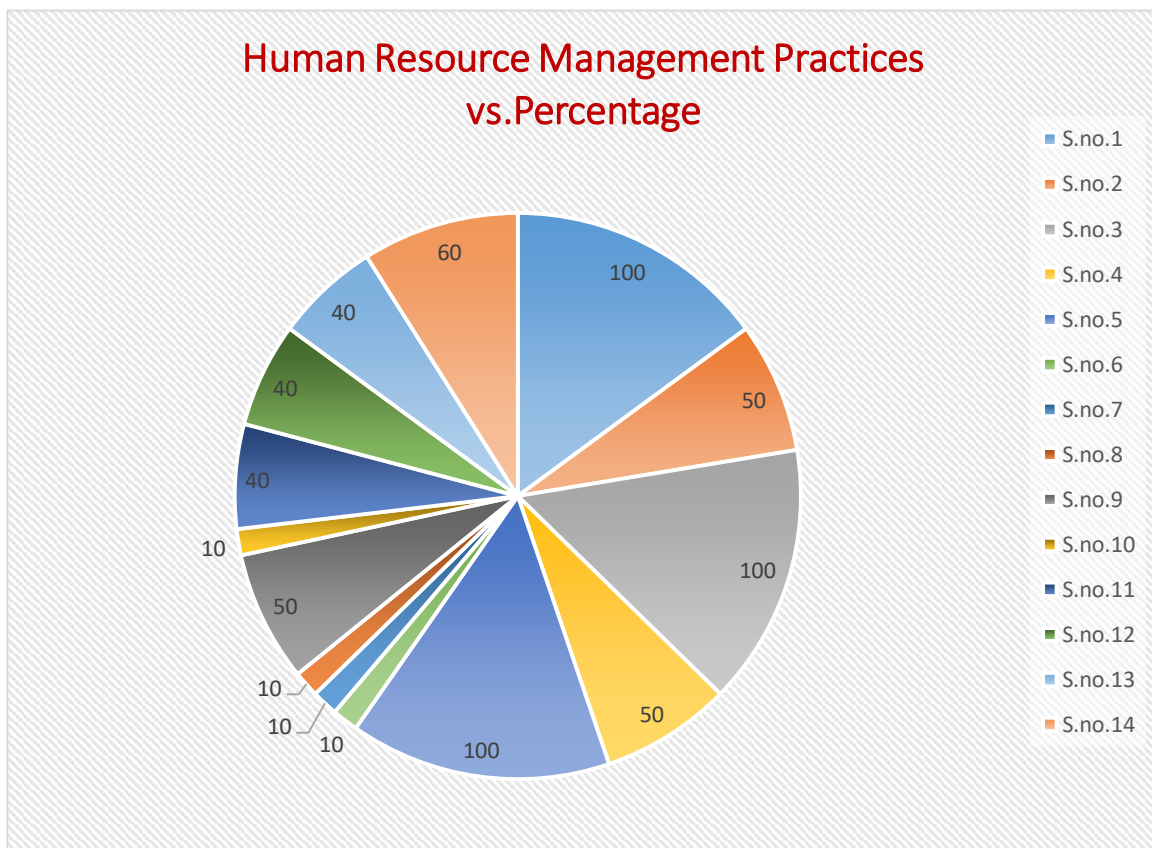
Data Collection:

S.No.	Implementation of Performance Management System by the Human Resource Management Function.	Average Percentage
01	Employees annual appraisal	100%
02	Employees half yearly review	60%
03	Employees annual self-appraisal	80%
04	Employees goal setting and review	70%
05	Performance and compensation benefit	100%
06	Kaizen and compensation benefit	40%
07	Management's career plan	30%
08	Employee Development Programme	30%
09	Performance rating & compensation benefit	80%
10	Team building activities	60%
11	Non-financial rewards	40%
12	Identification of talent pool	30%
13	Competence assessment against core values	50%
14	Training & Development	70%

Data Analysis: Data collected shows that, there is a significant impact of effectiveness of performance management system on employee's motivation and effectiveness too.

Performance management system and employee's motivation and organisations effectiveness are highly correlated.

Performance management system also has an impact on better organisation results.



Conclusion: From the literature review and data analysis it is concluded that,

- 1) Performance management system is the vital key in human resource management.
- 2) Performance management system is a crucial business driver that helps to achieve an organisation goals.
- 3) Performance management system boost organisations to maximise employee's performance if it is implemented properly.
- 4) Performance management system is an effective tool which create competitive environment in an organisation.
- 5) Performance management system helps an organisation in finding out nonperformers.

Findings: The dominant findings out of the research study are as below:

- 1) Majority or organisations have adopted performance management system as a key function of human resource management.
- 2) Properly implemented performance management system supports for employees motivation.
- 3) Motivated employees are smart performers.

- 4) Performance management system proved as a tool for employees better performances.
- 5) Majority of organisations adopted practice of measuring employee's performance by introduction of performance management system annually.
- 6) About 60% organisations are following measuring employee's performance by way of performance management system half yearly.
- 7) All most all the organisations are considering proportionate compensation benefit as per the measurement level of employee's performance, drawn out of performance management system.

Limitations & Scope: The research was conducted within the defined scope and thus has limitations and scope as below:

- 1) Limited organisations belonging to Pune region are not covered due to time limitations therefore, it may not be generalised.
- 2) All 500 employees amongst whom the questionnaire was distributed were not participated.
- 3) Employees who responded to the questionnaire may also have limitations as the performance management system is confidential and closed with an organisation.
- 4) Responses that received may be with or without knowledge as regards to importance and motive of an organisation of adoption of performance management system.
- 5) Participants willingness towards providing true information also matters for accurate findings therefore, tolerance needs to consider.
- 6) The research can be extended further by considering more number of employees.
- 7) The research can be extended further by comparing implementation of performance management system in different industrial regions.

Suggestions & Recommendations: Based on the overall research study and to arrive at appropriate conclusion researcher would like to suggest and recommend following aspects.

Findings would be helpful to find out the factors contributing to employee's motivation as well as effectiveness of performance management system.

Similar studies in other organisations are also suggested for future studies.

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