



“A STUDY ON THE EFFECT OF PERFORMANCE MANAGEMENT SYSTEM ON EMPLOYEE PERFORMANCE AT SERVICE INDUSTRY”

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ABSTARCT

Employees are the foremost theme of many studies. Organizations place a strong emphasis on employee performance in this international and cutthroat environment. The focus of the current study is to analyze and look into how performance management systems affect employee performance. This paper explains that there is a significant increase in employee performance using performance management system. This paper focuses on 2 important aspects of performance management system i.e. performance appraisal and motivation. The results of the study can be used by many company for the improvement of their performance management system and to increase the performance of employees in a better way.

KEY WORDS: Performance management system, Performance appraisal ,Motivation, Performance feedback

INTRODUCTION

A system has its own objectives, parts, essential elements, and process. It has throughput, outputs, and inputs. Every organisation needs a thorough system of business measurement that is well-defined, well-established, and applicable at all organisational levels. However, every organisation must plan and develop its business as well as combine all of its components into a single system, a performance management system, to ensure effective management. When an organization's business is managed through planned objectives of specific employees or work units and by ensuring that they have the necessary competences, PMS enables realisation of the organization's strategy.

Planning, measuring, monitoring, and developing employee performance as a contributor to overall organisational performance is the core purpose of performance management. Effective performance management is always crucial, but in a challenging economic environment, it becomes much more crucial. Increasing productivity may be the only path to growth in a time of worker reductions, budget cuts, and pay increases that are modest or non-existent. It is also the only path that an organisation can control. Although people and organisational performance are intimately associated, Bach and Sisson (2000) contend that employees are complicated and sensitive to a variety of outside factors. frequently outside the purview of performance management. In a nutshell, PMS aims to improve staff productivity, which will ultimately increase the organization's output. Early kinds of performance management were primarily concerned with performance management tools, while more recent methods emphasise the need to mix different tools to create an integrated and coherent PMS.

In order to gain a competitive advantage, PMS aims to increase the competences and commitment of individuals, teams, and the entire business. PMS is often seen as a contract between an employer and an employee that clearly outlines what is expected of that person. It should be emphasised that a system's effectiveness can be strongly predicted by how well a company's PMS fits with its culture and management style.

THIS STUDY FOCUSES ON 2 IMPORTANT ELEMENTS OF PERFORMANCE MANAGEMENT SYSTEM TO FIND THE IMPACT IN EMPLOYEE PERFORMANCE

❖ Performance appraisal effect on employee performance

This technique of performance reviews aids in raising employee productivity. Additionally, this promotes staff motivation. An organization's success is always solely dependent on its staff. Employees need constructive criticism from managers and corporate leaders so they can understand where they stand in terms of performance and what needs to be done. The benefits of performance reviews for individuals and the whole company are numerous.

❖ Employee Motivation's Effect on Work Performance

The effectiveness of the company grows as a result of increased employee motivation and readiness to work. Motivated workers are more likely to be successful than uninspired ones. Employees that are inspired to work for the company are tenacious, industrious, creative, and enthusiastic, producing high-quality work that they voluntarily take on. The performance is directly impacted by unmotivated employees' tendency to spend little time at work.

NEED OF THE STUDY

The study is done to find out the how the performance management system affects employee performance. This study also helps the managers to identify the gap which needs to be bridged and also in their decision making. This study is needed to show how performance management system plays an important role in employee's performance. This will motivate and guide their manager in their organization regarding performance management system.

OBJECTIVES OF THE STUDY

1. To determine the impact of performance appraisal on employee performance.
2. To analyse the relationship between performance management and motivation in employees.

REVIEW LITERATURE

Sunil Kumar Pradhan and Dr suman Kalyan Chaudry(2012) a research was conducted regarding employee performance management and it's implication to their relation in OCL India ltd. Three main objective of this study is assess the efficacy of performance management as a tool for HR interventions, how performance management helps organisational development, how performance management leads employee satisfaction. this study found out that main purpose of performance management is to link organisational and individual objectives to give best possible platform to the employees to perform at the biggest level in the organisation.

Meyer (1991) He observes that one of the most frequent causes of unhappiness in the overall human resource system is performance appraisal. In a management setting, neither the boss nor the employees look forward to performance reviews. According to Meyer, management is unlikely to be completely satisfied with the organization's performance rating system.

Carolyn and Dedi Rianto Rahadi (2020) The existence of motivation in an organisation will assist employees' behaviour to work actively, ensuring that the outcomes and goals acquired achieve the best results possible, according to the statement that motivation is highly important in an organisation. A performance

evaluation can be used as part of a performance appraisal to determine whether an employee is performing well and meeting his or her obligations.

Heilbroner(1953) asserted that the earliest industrial application of merit rating was probably developed by Robert Owen at his cotton mill industry which is situated in new Lanark, Scotland.. wooden cubes of varied angles of merit were hung over each employee's workstation. The suitable cubicle will change as employee performance changes. Since 1887, and possibly as early as 1842, the federal civil service has used a merit- or efficiency-based ranking system.

Beer (1984) Employees expect the company to at the very least offer fair compensation, fair treatment, and safe working conditions. Employees have higher expectations, just like management. Depending on how much each person desires safety, engagement, status, challenge, and power. These components will differ from organization to organization. To satisfy these expectations, a business has to have a thorough understanding of employee motivation.

DATA ANALYSIS AND INTERPRETATION

HYPOTHESIS TESTING 1

Relationship between performance appraisal and employee performance

Null hypothesis (H0): There is no significant relationship between performance appraisal and employee performance.

Alternate hypothesis (H1): There is a significant relationship between performance appraisal and employee performance.

Correlations			
		performance appraisal helps me to work harder than expected.	I often perform better with the help of performance appraisal.
performance appraisal helps me to work harder than expected.	Pearson Correlation	1	.087
	Sig. (2-tailed)		.439
	N	82	82
I often perform better with the help of performance appraisal.	Pearson Correlation	.087	1
	Sig. (2-tailed)	.439	
	N	82	82

RESULT:

A Pearson correlation coefficient was performed to assess the relationship between performance appraisal and employee performance at the significance level at 5%. From the above table we can infer that p value is (0.439) which is more than (0.05) of significance value. This results in rejection of alternative hypothesis and acceptance of the null hypothesis that there is no relation between performance appraisal and employee performance.

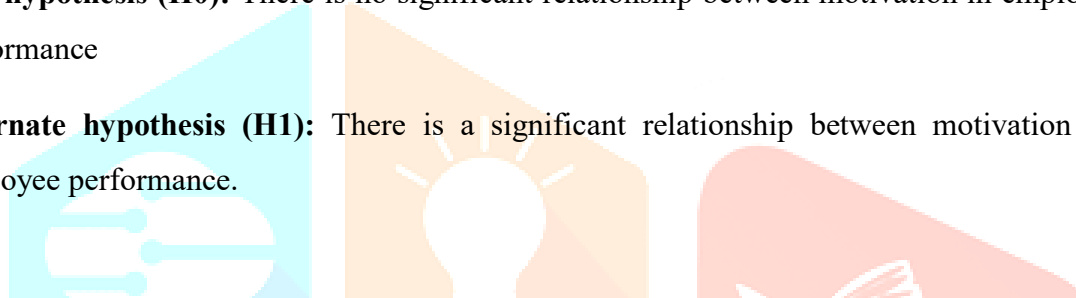
Hence null hypothesis is accepted

HYPOTHESIS TESTING 2

Relationship between motivation in employee and employee performance

Null hypothesis (H0): There is no significant relationship between motivation in employee and employee performance

Alternate hypothesis (H1): There is a significant relationship between motivation in employee and employee performance.

**Correlations**

		My company provide fair promotion opportunities.	Appreciation by my manager increases my success at work.
My company provide fair promotion opportunities.	Pearson Correlation	1	.221*
	Sig. (2-tailed)		.046
	N	82	82
Appreciation by my manager increases my success at work.	Pearson Correlation	.221*	1
	Sig. (2-tailed)	.046	
	N	82	82

Correlation is significant at the 0.05 level (2-tailed).

RESULT:

A Pearson correlation coefficient was performed to assess the relationship between motivation in employee and employee performance at the significance level at 5%. From the above table we can infer that p value is (0.046) which is less than (0.05) of significance value. This results in rejection of null hypothesis and acceptance of the alternate hypothesis that there is relation between motivation ion employee and employee performance.

Hence alternate hypothesis is accepted.

SUGGESTIONS

- The study recommends that effective feedback should be given to employees so that organisation can achieve their targets/ goals
- More positive feedback can be given so that employees gets motivated and will be able to increase the performance of the employees
- Awards can be given such as employee of the month or best employee award monthly once so, that the organisation motivates employees to perform more.
- Performance appraisal can be linked with employee performance.

CONCLUSION

This study focuses on 2 important aspects of performance management system i.e. performance appraisal and motivation of the employees. According to the study's findings, a performance management system significantly affects employee performance. In general, most of the employees have agreed that motivation have significant increases in employees performance and helps them to motivate work more and have a positive relationship among them. on contrary, this study concludes that performance appraisal does not make the work differently or does not help them to increase the performance of employees. The performance management system can be enhanced by taking the recommendations and suggestion into consideration.

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