

Impact of Performance Management System on The Organizational Performance: A Study Of Private Banks

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Abstract

Performance management system has become the backbone of any organization specifically in competitive industries like banking, pharmacy etc wherein increasing cut throat competition is new buzzword .and survival of the fittest has become the realities of the day. Poaching has emerged as latest employee recruitment strategy specifically in the today scenario wherein the banks end up paying 200% more than the previous company. The research paper therefore focuses on evaluation of effectiveness of performance management system and concurrently reviews both job satisfaction and organizational commitment. The present study therefore attempts to explore the relationship between effectiveness of performance management system and employee engagement and organizational commitment. Models adopted from Allen and Meyers commitment scale and Minnesota scale of satisfaction has been used for checking the satisfaction and commitment level and factorial based questionnaire adopted from- Giller and Moss, Brinkerhoff and Kant 1980; Cleveland, Murphy and William 1989 has been used to check the effectiveness of performance management systems. The findings suggest that there is significant correlation between performance management system and employee engagement satisfaction and moderate correlation between employee organizational commitments. Therefore to conclude we can have the finding that effective performance management system is only mantra to build the loyalty index of the employee to keep them happy as happy mind work best.

Keywords: Performance management system, efficacy, employee engagement, job satisfaction and organizational commitment

Introduction

Performance management is the current buzzword and is the need in the current times of cut throat competition and the organizational battle for leadership. Performance management is a much broader and a complicated function of HR, as it encompasses activities such as joint goal setting, continuous progress review and frequent communication, feedback and coaching for improved performance, implementation of employee development programmes and rewarding achievements. The process of performance management starts with the joining of a new incumbent in a system and ends when an employee quits the organization.

Performance management can be regarded as a systematic process by which the overall performance of an organization can be improved by improving the

performance of individuals within a team framework. It is a means for promoting superior performance by communicating expectations, defining roles within a required competence framework and establishing achievable benchmarks.

The term performance management gained its popularity in early 1980's when TQM received utmost importance for achievement of superior standards and quality performance. Tools such as job design, leadership development, training and reward system received an equal impetus along with the traditional performance appraisal process in the new comprehensive and a much wider framework. Performance management is an ongoing communication process which is carried between the supervisors and the employees throughout the year

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Evaluation of PMS Efficacy

Commercialization of the banks has gone long way in giving the services at par with customer needs. With the cut throat competition edging up in the market every bank is gaining the momentum for building on human capital management. Adding on to the series of futuristic development visible traits like scientific recruitment, emphasis on training etc are seen. The period of 1980 saw the introduction Of HRD concept laying emphasis on the futuristic orientation to the development of employees. One of the major transformations seen in banks was in the area of performance appraisal system which further gained a wider scope and was now termed as performance management system. Though the bank invested heavily on performance management model the resultant benefits were not accrued and till today it remains as one of the unanswered question. Therefore the study is undertaken in ICICI HDFC and AXIX Bank to find out the efficacy level of performance management system implemented

Employee engagement

Employee engagement is a workplace approach resulting in the right conditions for all members of an organization to give of their best each day, committed to their organization's goals and values, motivated to contribute to organizational success, with an enhanced sense of their own well-being.

David Macleod: "This is about how we create the conditions in which employees offer more of their capability and potential".

Employee engagement is based on trust, integrity, two way commitment and communication between an organization and its members. It is an approach that increases the chances of business success, contributing to organizational and individual performance, productivity and well-being. It can be measured. It varies from poor to great. It can be nurtured and dramatically increased; it can lose and thrown away.

Organizational commitment may be viewed as an organizational member's psychological attachment to the organization. Organizational commitment plays a very large role in determining whether a member will stay with

the organization and zealously work towards organizational goals

Relationship between PMS, Employee engagement and Organizational commitment

Very limited literature is available depict the relationships between performance management system, Organizational Commitments, and Job Satisfaction. Overall theories on Organization Commitment, Organization Job Satisfaction and Performance management have been contributed mainly by scholars from the western developed countries. Consequently, the review of the literature exhibits that there is still room for penetrating in the above mentioned aspects of HRM. This research also reveals that objective and in-depth studies about issues surrounding performance management linking with the organizational commitment and job satisfaction are scarce and lacking.

The research was carried out in top three private banks i.e HDFC, ICICI, AXIS to check the effectiveness of performance management system and concurrently review the relationship of performance management system with employee engagement and organizational commitment. It is the intention of this research to fill in these gaps, at least partly, and to contribute to a better understanding of the employees grievances and grudges alongside the materialization of vision and business mission which in turn are the basic pre-requisite norms for the effective performance management which would indirectly relate to the issue of job satisfaction and commitment. The details of the research carried out is mentioned briefly below:

Research Methodology

Objectives

- To Study the impact of Effectiveness Of Performance Management system on employee satisfaction
- To Study the impact of Effectiveness Of Performance Management system on employee commitment
- To study the impact of employee Satisfaction and commitment
- To study the satisfaction level of employees in the three leading private banks

Sampling frame:

Sample size = 75 respondents

Sampling Unit = Employees of banks HDFC, ICICI, AXIS

Collection method= Primary as well as secondary Primary data: Using Questionnaire

Secondary: website, books.

Sampling technique: Convenience sampling

Analysis Tool= Statistical tools and Graphical presentation

Statistical tools: Mean, Regression and Correlation

HYPOTHESIS Formulation

H0: There is no significant Impact of effectiveness of performance management on satisfaction of employee

H1: There is a significant impact of effectiveness of Performance Management system on satisfaction of employee

H0: There is no significant Impact of effectiveness of performance management on Commitment of employee

H1: There is a significant impact of effectiveness of Performance Management system on commitment of employee

H0: There is no significant impact of employee satisfaction on employee commitment level. H1: There is a significant impact of employee commitment and satisfaction level

H1: There is significant impact of employee satisfaction on employee commitment level. H1: There is a significant impact of employee commitment and satisfaction level

Analysis and Interpretation

The questionnaire was collected from 75 employees of HDFC, AXIS, ICICI bank from Bhopal region. All the employees were in the age group between 25 to 35 and majority of them were males with female constitution as 22% only. Data can be presented as follows:

Table 1: Regression table

Independent variable	Performance management system	Performance Management system	Satisfaction
Dependent Variable	Satisfaction	Commitment	Commitment
Significance value (P)	0.00	0.00	0.00
Level of Significance (α)	0.05	0.05	0.05

From the output, for all the cases $P < \alpha$ so we cannot accept H0.

It is found that there is significant impact of effectiveness of performance management system on employee satisfaction and effectiveness of performance

management system on employee commitment. There is also a significant impact of employee satisfaction and commitment.

Table 2: Correlation

Independent variable	Dependent variable	Correlation
Performance management System	Satisfaction	0.649
Performance Management System	Commitment	0.475
Satisfaction	Commitment	0.467

It can be derived that PMS and Satisfaction are highly correlated with each other, while there is a significant

impact of PMS on commitment and Satisfaction on commitment but degree of association is moderate.

Table 3: Age and satisfaction level

Age	Satisfaction level	Frequency
1 (0-25 years)	3.758218126	12
2 (25-35 years)	3.878202765	42
3 (35 or more)	3.526260005	21
	Total	75

- It can be concluded that there is significant impact of effectiveness of performance management system on employee satisfaction and effectiveness of performance management system on employee commitment. There is also a significant impact of employee satisfaction and commitment
- It is evident that PMS and Satisfaction are highly correlated with each other, while there is a significant impact of PMS on commitment and Satisfaction on commitment but degree of association is moderate.
- It was also found that there is no major difference for the satisfaction level among people from different age group but mean and graphical presentation says that the people from age group 25-35 years is more satisfied.
- There is no major differentiation as far as age is concerned on the level of effectiveness of performance management system and commitment.
- Maximum commitment level is shown by the age group of 0-25 years and max effectiveness of performance management system is found in the age group of 25-25 years.

Conclusion & Recommendations

Findings of the study show that there is strong correlation between effectiveness of performance management system and employee engagement. There is moderate correlation between effective performance management system and organization commitment and moderate correlation between job satisfaction and employee engagement. Therefore the organization should focus on developing ways to make the performance management system effective as it will pave way for building the employee satisfaction. Commitment of an employee would increase by increasing the satisfaction level of employee but the proportional increase would not be there. Therefore we can recommend that the cure for all the management issues like high attrition, commitment and satisfaction can be enforcing ways to make the performance management system effective. It would not guarantee the success but certainly it would help to dissolve the issue of low satisfaction and commitment. Though Performance management system effectiveness is not the only source of making the employee satisfied but it's considered to one of major factors affecting employee satisfaction.

Limitation and future research

The sample size taken is very small and is concentrated to one geographical area therefore it may not be generalized. As performance management system is very confidential and sensitive issue the chances of biasness in the response of respondents are very high. The findings would be helpful to find out the factors which contribute to effectiveness of performance management system. The future research should therefore be based on testing the hypothetical relationship among the various factors influencing the effectiveness of performance management system and larger sample size from diverse geographical area should be taken for the study as it would bring the role of cultural differentiation in the effectiveness of employee satisfaction and commitment. Similar studies in the other industrial sectors are also advocated for future studies.

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