

# Performance Management System Effectiveness and Employee Engagement : A Study of Service Sector Employees<sup>1</sup>

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## Abstract

Performance management is recognized as the significant HR practice. The foremost thing to produce performance increments is to use a performance management system that foster employee participation. Towards this, we propose a new approach to PMS that incorporates employee engagement and major facilitators of employee engagement at each level. In the backdrop of service-based organizations in India, this research focuses on evaluating the link between factors of performance management system effectiveness and employee engagement aspects. The model's reliability and validity were determined using confirmatory factor analysis. Structural equation modelling has been used to investigate the influence of factors of PMSE on employee engagement dimensions. The findings of the paper disclose that all three PMSE factors (employee involvement, performance-oriented culture and management commitment) are identified as critical predictors of both job engagement and organization engagement.

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**JEL Code :** C54, J20, J50, J34

**Keywords :** Performance Management System; Effectiveness; Organization Engagement; Job Engagement; Structural Equation Modelling.

## I. Introduction

PERFORMANCE MANAGEMENT, WHICH is described as the assessment and monitoring of employee performance with the goal of boosting organizational effectiveness (Cardy and Leonard, 2004), is becoming more significant in organizations (Aguinis and Pierce, 2008). Over the years, performance appraisal sessions under which a line manager reviews a subordinate's annual performance have evolved into subordinates getting

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organization wants their employees to be dedicated and immersed into their work then PMS should involve employees in setting performance goals, give performance related rewards and managers should extend full support towards employees. Also, if they want employee to be loyal to their organisation and spread positive word of mouth then management should be committed to conduct PMS in efficient manner along with encouraging employee's participation and performance-oriented activities in organisation. As a result, the authors expect that this research will aid in the correct design, quality, and implementation of future PMS in organizations.

#### 4.2 Limitations and future research directions

A few study limitations should be recognized in order to fully comprehend the study's conclusion. The subjective aspect of scales of different constructs taken in this study must be acknowledged. Although the scale was appropriate for the organizational level of analysis used in the present study, data on other indicators such as number of complaints or fluctuations in employee performance or turnover would have been valuable. However, in the setting of major multi-establishment research, such information is difficult to come by. One more limitation is that we cannot infer causality in the associations between variables because the data was collected at one point of time. Longitudinal design would be useful for this purpose. Therefore, future studies may make an effort to determine how the application of various practices affect overall performance management effectiveness over a period of time. Another limitation is that only three factors of PMSE are considered in this study. Future studies can focus on other determinants such as reward and recognition, manager training, 360-degree feedback and communication. Also, the responding samples is restricted to service-based organizations of India. It can be extended to other areas such as manufacturing in future studies.

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## Annexure

### I. PMSE Factors

#### 1.1 Employee Involvement

- i. Employees feel involved during the development of PMS.
- ii. Employees are informed about development of PMS.
- iii. Employees are made accountable to their own development.
- iv. There is sufficient training provided on PMS.
- v. There is strong support from top managers about involving in PMS.

#### 1.2 Performance Oriented Culture

- i. Employees are encouraged to monitor their performance.
- ii. Everyone is concerned of meeting performance target.
- iii. There is a strong drive towards performing well.
- iv. Employees understand how their work contributes to the organizational performance.

#### 1.3 Management Commitment

- i. The system is perfect to evaluate the job has been done.
- ii. It assists staffs adapting any innovation and change.
- iii. Manager constantly monitors activities performed by staff through PMS.

### II. Employee Engagement components

#### 2.1 Job engagement

- i. I really "throw" myself into my job.
- ii. Sometimes I am so into my job that I lose track of time.
- iii. This job is all consuming; I am totally into it.
- iv. My mind often wanders and I think of other things when doing my job (R).
- v. I am highly engaged in this job.

#### 2.2 Organization engagement

- i. Being a member of this organization is very captivating.
- ii. One of the most exciting things for me is getting involved with things happening in this organization.
- iii. I am really not into the "goings-on" in this organization (R).
- iv. Being a member of this organization make me come "alive."
- v. Being a member of this organization is exhilarating for me.
- vi. I am highly engaged in this organization.

Source : Mansor, Chakraborty, Yin and Mahitapoglu, (2012)