THE IMPACT OF PERFORMANCE MANAGEMENT SYSTEM ON EMPLOYEES' PERFORMANCE

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ABSTRACT

Employees are the central theme of many studies. In this global and competitive environment organization focuses on the performance of employees. The current study is to concentrate on breaking down and investigating the impact of performance management system on employee performance. The current study followed quantitative mono method. A deductive approach and survey strategy were used, as the study test the effects of a performance management system on employee's performance, collecting data from respondents through adopted questionnaire. Air Blue Airline was considered as the targeted population of the study. Total 160 employees working in the said organization was taken as sample of the study, out of which 130 response was received. Regression and correlation were applied to check the effects of the independent variable on the dependent variable and to check the relationship of variables. Based on the results of the study it was found that there was a significant effect of a performance management system on employee's performance. It was also concluded that there was a positive and significant relationship between performance management and employee performance. The study contributes to the body of knowledge by providing information about the relationship and effects of performance management on employee performance. The results of the study can be used by the Airline industry for the improvement of their performance management system and increasing the performance of employees. The management of Air Blue Airline can adopt a well-defined system of the performance management system, ensure staff involvement, fair monitoring, and rewards in the organization. Future research can be conducted on other methods and a widespread population.

INTRODUCTION

The current study is to concentrates on breaking down and investigating the impact of a performance management system on employee performance. Although Chan and Lynn (1991), define that the organizational performance measure had the better composite benefit, efficiency, upstairs sufficiency, consumer constancy, yet likewise employee morale. In this point of view, employee performance is highly identified with system performance, while the powerful and competent employee performance will directly impact the firm's performance. In the opinion of Millar (2017) study design a framework of talent management which expresses multi activities of the HR department which will give them help to improve the procedures for an employee to give them benefits in such areas such as planning &

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developing, rewarding and leaves, etc. To put together an association successfully, organizations essential reevaluate how they recruit, train, and reward their workers; thus, the staff may be inspired to make up competitive. A minus suspect, there is a significant factor is human an association. Although a unique principle is that a management structure adapts resources for an organization to motivate its representatives. Therefore, companies are griming to catalyze rouse plus increment the exhibition of the doers in a variety of HR exercises (Gungor, 2016).

According to the previous studies, an employee is a resource and worth for an organization. However, an organization needs to sort out procedures for making out, certifying, estimating, evaluating, improving, and indemnifying employees' exhibitions at work. As per the esteem of performance management and evaluation, the model get transpires to pretend an imperative function in facilitating an organization to arrive at their ambition of efficacy (Stevers and Joyce, 2000). However, Guest, (1999) study described that the human resource management's exercise forces out impacts the practices of particular employees. The consequence of Human Resources (HR) rehearses on employees' responsibility plus execution relies upon workers' recognition and judgment of these run over.

Although for an organization, it is striving and critical to achieve their structured goals, PMS ensures it to do so in a retrieval manner. PMS comprises all the solutions that an organization search for the managers and the operation managers shall be accountable for the performance of their employees as they are their boss. However, each organization has its path to find out that how the PMS will perform. Therefore, organizations want to receive the best performance of their employees which they planned accordingly to their organization's mission, while the performance of employees must be fit to an organization's mission plus goals and it will achieve an organization goal (Pulakos, 2019).

Performance management is superior for an organization because it helps the organization ensure employees are working ambitiously to add to accomplishing the organization's main goals and objectives. However, performance management sets desires for employee performance and motivates employees to buckle down in a manner that is normal by the organization. Additionally, a performance management system gives a completed and expert management procedure for an organization to evaluate the performance results of organizations and employees. Moreover, employee's performance may well be anticipated, evaluated, and encouraged Ahmad Ali (2017) squeezed that the significance of performance management system is on constantly improving organizational performance and typically accomplished by improved individual employee performance In this manner, improving worker performance by utilizing performance management system is an approach to improve organizational performance.

It is deemed necessary for individuals and organizations to understand performance management about employees (Jamil & Mohammad, 2011). Performance appraisal is focused on the standard set by the organizations, rather to considered the objectives of the employees, which hurt employees. Previous

studies compare the standards with employees, which creates a problem (DeNisi& Murphy, 2017; Idowu, 2017). To address these issues further studies should be conducted to understand performance management and how it will be applied very important (Jamil & Mohammed, 2011). Hence the current study strives to address these issues by studying the effects of performance management on employee performance. Second, the current study considered the elements of performance management i.e. Planning and Development and Reward. The current study aims to study the impact of a performance management system on employees' performance of Air blue.

The current study has the following objectives:

- To investigate the relationship between the performance management system and employee performance empirically.
- To examine the influence of the Performance Management system on employee performance.

The study is guided by the following research questions.

- Is there any relationship between the performance management system and employee performance?
- How does the performance management system influence employee performance?

LITERATURE REVIEW

According to Amstrong (2014) explains that the Performance Management is a tool for acquiring desired outcomes for the organization according to the standards that have been told by the management to their employees. In a bilateral agreement, PMS enhances employees' performance and also the productivity of the organization. Therefore, in today's contemporary and competitive era, organizations have adopted several methods of improving employees' performance with the aid of incentives, an employee of the year, and much more ways of reward that provoke them to do even better. However, PMS is a great way to indulge employee in what they are being asked, it increases motivation among employees and they feel recognized when the management involves them in a work and give them a sense of authority (Lawrie, 2014).

Although performance management systems are an optimistic way of analyzing and evaluating the employees towards planned objectives of any organization that enlighten them to work for the same planned goals. Therefore, PMS eradicates the barriers confirmation by the employees and by the organization which leads them towards high performance. To the perpetuity of the contract, the employees must undertake the work according to the standardized goals. The PMS applies to the entire workers of the organization and they are liable to do accordingly. Effective performance management is essential to increase mutual understandings between the workers and their supervisors, the exchange of

information and asking for feedback will enhance their skills and it will stimulate them to better than what perform (Ahmad Ali 2017).

The cultures the way nations behave, it distinguishes it from one organization to another, thus PMS is not the same in all organizations (Palethope 2011). The performance evaluation of employees is highly affecting the work performance of employees within an organization is based on the standards that have been imposed by the top management according to the goals that they aim to overcome (Parker 2013). On the other hand, Slavin et al., (2014) define that the PMS is the most important tool, which evaluates employees' performance under given circumstances by their policy implementers. Although PMS displays the best image of every employee's performance after they evaluate them.

The opinion of De Nisi, (2016) expresses his views about performance management systems and describes is as an intermediating which measures the hidden talents of employees and also organization.

Robert (2017) defines that the performance management system as under, he says PMS is comprised of many significant elements and points. Firstly, to identify and plan for what ought to be achieved, secondly to guide the employees, how these objectives shall be achieved. Thirdly, if employees successfully achieve, what they have been prescribed, what will be their reward, the reward, stimulate employees towards their goals. Furthermore, Pershing, J. (2015), links PMS with the human resource management process, he thinks that in HR the management recruits' employees and they know betters the behaviors and stance of the employees, and they play a key role in enhancing individual behaviors towards planned goals. Rudman further says that PMS should be designed as per the culture of the organization that allows it to suit the firm.

The goals of PMS in every organization are to achieve excellence in their planned goals and to stimulate their employees towards high performance and to enhance the skills of their employees and eradicate lazy and poor behaviors and performance of individual employees. The feedback from employees will certainty create a sense of belonging towards the organization, and it will create a healthy and skilled environment for the employees (Lawer 2013). In the view of Zhang (2012) sees that the PMS is an object which is necessary to know employees' outcomes and also to keep an eye on their skills and strength.

According to Zhang (2012) and Ying (2013) reporting that a suitable and well-managed performance management system will heighten the number of customers because in the presence of PMS the quality of the product will not be at stake but if the PMS lacks a sustainable module than the customer will opt to someone who can satisfy their needs with the standards of their products. They will stop buying your products, which results in a loss for the organization, keeping all these elements in mind, PMS is the most important tool for any organization but they should impose it strictly and efficiently.

In the opinion of Taylor & Peirce (2019) states that the introduction of PMS deeply enhances the employee's performance, behaviors, and skills, because their efforts are being recognized and it creates a cooperative environment among the employees and their leaders. It also makes it easier for the decision-makers to take measurable steps where it is necessary. Their findings also identified that PMS is somewhat biased and does not recognize the actual performance of the organization, but they also find it good because every employee gets rewards and knows the actual performance of the employees. It is always difficult to know for the management but introducing the contemporary methods of enhancing the performance of employees will surely pay off, and the organization will survive in this completive era (Lee & Wu 2017).

In this way, organizations are placed in a better way to in-line the actual output of the work of the employees with the ultimate objectives and goals of the organization that it has set for itself. It is established through the study that the existing PMS in the organizations has a significant impact on the commitment shown by employees towards the main cause of the organization and their objectives. Moreover, the same performance can also have a huge impact on the performance of employees in a way that the employees become more prone to become a victim of dissatisfaction, laziness, lack of trust, etc. As a result, there is a huge probability that the performance of the organization would also suffer and everything at some point in time may come to a situation a complete halt. (Dr. R. Gopinath, 2016).

Theoretical Framework:

According to DeNisi and Murphy, (2017) performance management system focuses to improve the effectiveness and efficiency of the employee. Rewards have a significant impact on employee performance and motivation. Organization goals, employee motivation achieve from rewards to enhance their job satisfaction and performance (Williamson, et al. 2019). Further, they argued that it will help the employee to work smarter and produce more outcomes. It was found out that PM has a great and optimistic impact on employee performance. Thus, it is said that development and planning have positively contributed to Employee Performance (Schneier et al. (2013).

The theoretical framework of the current research contains the following variables, namely performance management system (Planning & developing, Rewarding) which is the independent variable, and Employees Performance which is the dependent variable.

Table 1
Variable with sources

1. S.No	2. Variable	3. Source
4. 1	5. Performance Management System	6. Beatty and Baird (1987), DeWaal,2003, DeNisi& Murphy, (2017), Idowu, (2017)

7. 2	8. Planning & Development	9. DeNisi& Murphy, (2017), Idowu, (2017)
10. 3	11. Reward	12. DeNisi& Murphy, (2017), Idowu, (2017)
13. 4	14. Employee Performance	15. Deadrick and Gardner's, (1997), McCloy et al., (1994), Schneier et al. (2017)
16.	17.	18.

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┌────────────────┐                          ┌────────────────┐
│  Performance   │ ───────────────────────▶ │   Employees    │
│  Management    │                          │  Performance   │
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Figure 1: Theoretical Framework

Performance management plays an important role in the employees' competency and motivation, which lead to achieving organization goals (Olszak& Ziemba, 2010). An effective performance management system can achieve organizational goals through its employee performance (Muhammad, 2013). Performance management systems cover various aspects and elements of organization and employees including the motivation of employees and achieving organizational goals through the good performance of employees (Rajesh & Nishant, 2013). Based on these studies the current study proposed the following hypothesis:

H₁: Planning and development have a significant impact on employee performance.

H₂: Rewards have a significant impact on employee performance.

RESEARCH METHODOLOGY

The nature of the current research is Quantitative, and the data used for the current study was primary. The current study used a case study research approach. In the view of Yin describe that case studies could be used to define, describe, or explain the phenomena of every day or explore the contexts of daily routine in which they occur. The current study in the time horizon was cross-sectional. A survey strategy was used for the collection of data through questionnaires from the respondents. Furthermore, the study used a deductive approach, to test the hypotheses of the study. The validity of theory and hypothesis has been tested.

The tool for collecting the data for the present research study is a questionnaire. The questionnaire was adapted from the studies of Inuwa (2016), Job satisfaction, Mbise (2017), Judy Maina (2018), and scales of the questionnaire were adopted. A five-point Likert scale was used, that ranges from 1 = strongly disagree to 5 = strongly agree. The research questionnaire was used to get the data from the population sample. The questionnaire is well structured and self-administered. There are two parts to the questionnaire. One

is about the demographic variables such as gender, age, designation, and education. While the second part consists of 24 closed-ended questions of dependent and independent variables with five options starting from strongly disagreed to strongly agreed.

The purpose of the current study is based on quantitative analysis, and a primary data source that includes survey analysis is used in the current study. The population of the study includes all employees whose working in Air Blue Pakistan. The sample population includes 160 employees and the total response rate from the respondent is 83%, which are citizens of Pakistan and working in Air Blue Pakistan. While Cronbach alpha, (Cronbach, 1951) test for reliability was also used.

For the current study, the data was collected through a questionnaire. Furthermore, in the current research, the data was analyzed through frequency analysis, and the Simple Linear Regression model was used in a statistical tool which is SPSS version 25 is used to test hypotheses. To review the statistical results of data collected from respondents it was checked in SPSS for computing result findings. Different tests were run which were related to the current study; reliability test, confirmatory factor analysis, correlation, and regression were applied on data to find out results as desired to interpret the current study purpose. To check reliability, Cronbach's alpha was used to find internal consistency of scales for their reliability and to certify the validity of the content. In addition, to check multicollinearity, normality and to find a correlation between variables in this study correlation test was applied. A correlation matrix was used with descriptive details to compute the correlation of the matrix for validity. Furthermore, to determine the link between independent and dependent variables this study employed simple linear regression analysis. The basic purpose of regression is to find out how many variables are inter-dependent. Changes in one variable can increase or decrease variation in another or not.

ANALYSIS

Cronbach Alpha of each construct is greater than .70, which means that the data is reliable. The values of alpha is .710 for Planning and Development, .770 for Reward and .790 for employee performance it shows that all the variables are reliable and the value of AVE for planning and development is .60, .63 for Reward and .523 for employee performance which met the minimum requirement. Both convergent and discriminant validity was established, as the AVE of each construct is higher than .50, which means that it is an actual measure the same as expected, further the discriminate validity is established while using correlations matrix, the value of AVE is greater than that of the value of square correlations of other factors or the square root of AVE is greater than the values of correlation of other factors in same construct. It is concluded that, the convergent validity confirmed that the proposed construct measured the same, and factors of one construct were related within the same construct, secondly the discriminant validity through correlation matrix confirmed that the factors of one construct is diverged from that of another construct. For autocorrelation Durbin Watson value is 1.566, while for multi collinearity the value of VIF is 1, both the value met the standard accepted value.

Table 2
Correlation

		PMS(N=130)	EP(N=130)
Performance Mgt Sys	Pearson Correlation	1.000	
	Sig. (2-tailed)		.618
Employee Performance	Pearson Correlation		1.000
	Sig. (2-tailed)	.618	

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

Table 3
Regression of PMS and EP

	Employees Performance						
Variable	R^2	Adj. R^2	R^2Change	P-value	Beta	t-value	P-value
PMS	.618	.378	.38	.000	.618	8.90	.000

The results of the regression on the relationship between performance management variables (planning and developing, and rewarding system) and employee performance are shown in above table 4.9 that the value of R^2 (.618), The value of R is near to 1 which implies that there is a strong positive relationship among the dependent and independent variable and the value of adjusted r-square such as 0.618 or 61.8%, which shows the change brought about dependent variable by an independent variable and the value of $F (1, 130) = 8.90$, $p = .000$. The result reveals that the R-square of the regression shows a 61 percent variance in the performance management and employees' performance. This model shall be considered vital if the F-value is round about 4 and 16, and the numbers of probability shall be less than 0.5. The value for the F-model is 8.90 accordingly, as per the asked range and the P-value should be between or is $.00 < 0.5$. It shows that the model is proportional to what is significant.

CONCLUSION

Based on the results of the study, it was found that Performance Management System has a significant effect on employee performance. Further, PMS has a positive relationship with employee performance. A well define PMS has a significant effect on employee performance (Schneier et al. 2013; Makeri, 2014).

Based on the results of the study, it is recommended that the management of any organization should sit and reconcile their PMS practices to make them more sustainable. It is suggested to analyze and consider the problems of employees, to identify them and help the employees in confronting them like a united unit. Organizations should launch acknowledgment methods. It will make employees more encouraged and motivated when they will have a sense of acknowledgment and recognition as a result of their efforts being appreciated and recognized. To achieve the required objectives, the organizations should involve the employees in the goal setting and reward employees for their efforts.

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