

## Role of Performance Management Practices to Accelerate Employee Performance

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### Abstract

**Purpose:** Employees are the central theme of many research studies in today's era. Since the competitive and rapidly changing business landscape compels organizations to make focus on employees' performance aiming to grow ahead and succeed. The purpose of current study is to concentrate on the performance management practices which have potential to stimulate the job performance of employees.

**Methodology/ Sample:** This study follows a quantitative method with deductive approach while utilizing survey strategy. A well-structured questionnaire has been completed by 300 x respondents selected from distinct pharmaceutical companies running their businesses in Karachi, Pakistan. All managers serving in pharmaceutical industry in Karachi are the population of this research study. However, owing to various constraints like time and cost etc. only selected respondents have been made part of the study using convenience sampling methodology. Data have been integrated and analyzed using SPSS software package.

**Findings:** The study findings suggest that performance of employees can best be managed if performance management practices are undertaken in true letter and spirit. However, planning the performance and supporting the performance are crucial constituents to improve the performance of employees. But these parts of PMS have been given least attention in pharmaceutical industry of Karachi. In contrast, other three constituents of PMS are effectively contributing to promote employee performance.

**Novelty & Practical Implications:** The research study develops a novel understanding pertaining to distinct relationships of performance management practices and contributed to literature with novel empirical knowledge. The study may also help the managers of pharmaceutical industry of Pakistan in accelerating the job performance of their employees under the theme of current research findings.

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**Keywords:** Competitive advantage, Constituents, Comparative Results, Performance Management System.

### **1. INTRODUCTION**

Performance management is widely discussed in the contemporary business world. Since, each profit and non-profit organization requires optimal performance from its employees to succeed in the ongoing contemporary business landscape. As noted by Chan & Lynn (1991), organizational performance measure has a composite benefit, efficiency, upstair sufficiency and consumer constancy yet likewise employee morale. In accordance with this point of view performance of employees is highly identified with performance management structure of the organization. Moreover, enhanced employee performance has potential to directly impact the firm's performance. Similarly, the study of Slavin et al. (2017) concluded that to improve the performance of employees it is imperative for the organizations to revisit their performance management practices regularly which will help benefit in planning and developing the performance of employees for better outcomes. According to Gungor (2016) employees are key resources and worth of an organization but they may become productive in true letter and spirit when the organization concentrates on sorting out procedures for making out, certifying, estimating, evaluating, improving, and indemnifying employees' exhibitions at work. Achieving the best and optimal performance from the employees according to organization's mission, it is imperative to pay concentrated attention towards the efficacy of performance management system implemented in the organization (Pulakos, 2019). In fact, performance management is considered a superior activity for the organizations because it helps ensure employees are working ambitiously to achieve the organizational goals and objectives.

Researchers have explored distinct performance management structures aiming to optimize the performance of employees. To understand performance management in true essence we need to understand the constituents of performance management system (Muhammad et al., 2021). Without understanding the true efficacy of constituents, it is not possible to evaluate the performance of system. According to Bourne *et al.*, (2003) performance management is the process that facilitates high organizational performances by generating a mechanism that enables effective management. A performance management system is meant to be interactive (Kaplan and Norton, 2001) as its key roles are to facilitate the implementation of the business strategy and also to question strategic assumptions. The basic purpose of performance management in organizations is to measure the effectiveness of performance in the organizations. Therefore, this research has emphasis on distinct interventions of performance management which are effectual in stimulating the job performance of employees.

#### **1.1 Research Rational**

Highlighting the importance of the effective performance management structures, Bratton J. & Gold J. (2007) have stated that performance management systems which typically include essential constituents of performance appraisal and employee development are the 'Achilles' heel of human resource management. They have further pointed out that many of public as

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well as private organizations all over the world suffer structural flaws and there are evidences that many of the organizational attempts to implement performance management interventions which may not be successful in stimulating the job performance of employees owing to various shortcomings.

This study is contemporary in nature and helpful in understanding the strengths and weaknesses of performance management structures implemented in pharmaceutical industry of Pakistan. Since, in order to achieve competitive advantage, organizations tend to make efforts to enhance the productivity of human resource through developing provisioning of effective HRD interventions, quality planning, incorporating a rational appraisal structure as well as introducing the effectual rewards and recognitions system. Through effective performance management organizations acquire competitive advantage and attract the customers optimally (Muhammad et al., 2021).

## **2. Review of Literature**

### **2.1 Performance Management Process**

Highlighting distinct constituents of performance management Maiya *et al.* (2011) stated that it is a process of performance planning, performance monitoring and coaching, measuring individual performance linked to organizational goals, giving feedback, rewarding based on achievements against set performance and required competences, and working out a plan for development. In this regard, performance management is a series of processes rather than a management system (Armstrong and Murlis, 1994). The key idea of performance management process is that the principal dimensions of a person's work can be defined precisely in performance terms, allowing measurement over agreed periods of time that also takes account of particular constrains within the situation of performance (Furnham, 2004).

### **2.2 Constituents of Effective Performance Management System**

In above discussed literature, some similarities have been noted between certain models and theories. Many of the models have been studied and it has been found that all these models have similar contents with similar steps like plan, act, monitor and review. It has also been revealed from the researcher work that some models had only three steps without the 'monitor' step but some models included all of these steps or may be even some additional (Armstrong & Baron 2005). However, all of studied models concluded one theory of performance management which includes plan, support, monitor and review. Hence it may be concluded from the literature review that for an effective performance management system, following process must be present and its necessary constituents should also be part of the best performance management practice:

- Planning the performance
- Supporting the performance
- Periodic performance review
- Formal performance appraisal.
- Recognition and rewards linked to the performance and productivity of employees

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### **2.2.1 Planning the Performance**

According to Hartle (1997), it is first step to the performance management of employees and the effectiveness of all other components of performance management system is dependent upon it. He further says that the key part of performance management planning is setting and agreeing the individual and team objectives in accordance with job profile and it is necessary that there must be clarity about the jobs of employees. Spangenberg (1994) supported this view and said that vision and mission statements are included in the developmental section of performance process. The performance management system translates these into actionable goals and objectives. Bacal (2004) has also concluded that during the planning of performance, managers and supervisors should work with the employees in order to set rational goals and objectives which are measureable and also focus on the behaviors and results of the employees. The team goals substitute communication and interdependence too. A more rounded, universal approach to organizational effectiveness is achieved by combining both team and individual objectives into the performance management system. Team objectives can further be broken down into individual objectives, which are laid in a document known as a performance agreement or performance contract (Viedge, 2003).

### **2.2.2 Supporting the Performance**

In supporting the performance stage ability to do, work efforts as well as well as opportunity to do aspects are given attention to make the employees more productive by developing them for present and future jobs. According to Weiss and Hartle (1997), performance management is a process for establishing a shared understanding about what is to be achieved and how it is to be achieved, and an approach to managing people that increases the probability of achieving success. He further states that this constituent is significant part of performance management system and too much important to manage the performance of employees performance. Since, it has many sub parts which are vital for the development of employees.

Pointing out towards another aspect pertaining to provision of support to the employees, Stiffler (2006) states that the performance driven organizations revolve around the both culture and the environment. The cultural change is the key element that includes commitment, advocacy as well as leadership at top level of the enterprise. Top management must be committed and should support the employees by providing favorable culture as well as environment.

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#### **2.2.3 Periodic Performance Review**

According to Naisby (2002) a performance management is important to conduct the reviews periodically and get feedback from both line supervisors and employees as to the efficacy of the performance management. Do performance outputs fulfill their expectations? Is it useful? Is it achieving the required results? Suggestions and improvements can be integrated into the system, so that deficiencies in performance could continuously be upgraded to cater for the routine as well as changing needs of the organization and its staff. (Banham, L. and Saratoga, 2005) elucidate that performance review is an extremely important component of the entire performance management process. He specifies it as the culminating discussion between the supervisor and their subordinates.

#### **2.2.4 Formal Performance Appraisal**

Formal appraisal system is an important part of performance management system and has considerable historical background. Grint (1993) traces evidence of appraisal system in the third-century Chinese practice. Fletcher (2004) also highlighted the importance of performance appraisal by saying that it plays central role in managing the employees. Effective performance management system formally evaluates the employees more frequently than yearly basis. Hence, the employees have opportunity to correct their performance deficiencies throughout the year. It is a going approach instead of historical yearly basis appraisal system. By using an effective performance appraisal system objectivity of the system is maintained. Instead of just assisting an organization make decisions concerning an individual, performance appraisals should be used to help an individual make personal decisions regarding his/her current performance and provide strategies for future development.(Weise and Buckley,1998).

#### **2.2.5 Recognitions and Rewards**

To motivate the employees, recognitions and rewards are linked with the performance of employees. Because a performance management system is a process (Price, 2000), hence in order to be effective it necessary that it should contain all the necessary components including the recognition upon outstanding performance outcomes. Spangenberg (1994) also highlighted the importance of rewards and recognitions and stated that for the motivation of employees it is imperative that they should be rewarded upon bringing the above average performance. As incentives will encourage the employees to reach the expected level of organizational performance. The same view has been supported by Mol (2005) by saying that incentive scheme can only move employees forward. Rothwell and Kazans (1994) stated the similar perspective and said that behavioral scientist have long stressed the importance of rewards systems as well as the means and ways the managers allocate tangible and intangible rewards to employees for maintenance of effective performance management.

#### **2.3 Performance of Employees**

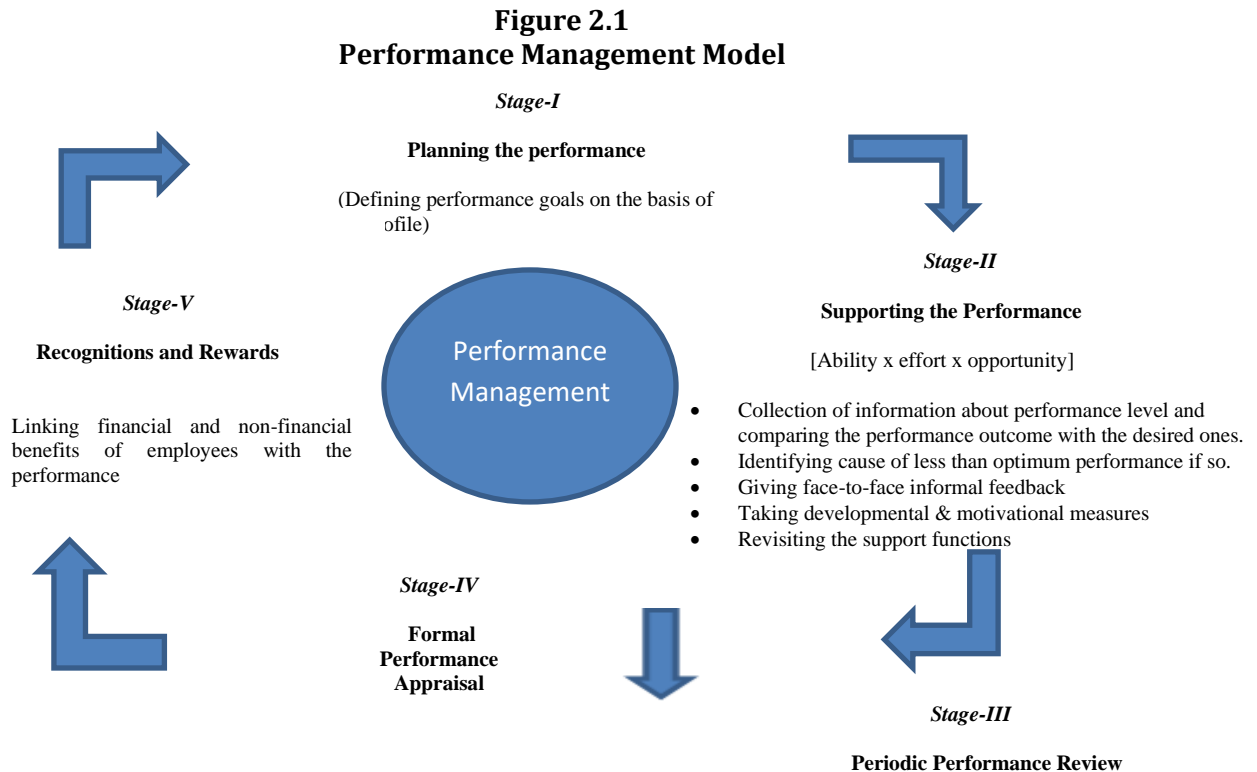
Performance in the organizational context commonly defined that to which extent an organizational member contributes towards the achievement the goals of the organization. Luthans and Stajkovic (1999) say that employees are a key to competitive advantage in organizations. Furthermore in accordance with commitment performance approach

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employees are resources or assets, and value their voice. In organizational performance employee performance plays significant role. The performance of employee is what an employee does or does not do. Quantity of output, quality of output, presence at work, cooperativeness and timeliness of output are part of performance of employees (Gungor, 2011).

## 2.4 Research Model

Following PMS model has been proposed and tested empirically being the best performance management benchmark comprising of all necessary constituents emerged from the literature:



## 2.5 Research Hypotheses

H1: There is a significant relationship between planning the performance and employees' performance.

H2: There is a significant relationship between supporting the performance and employees' performance.

H3: There is significant relationship between periodic performance review and employees' performance.

H4: There is significant relationship between formal performance appraisal and

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employees' performance.

H5: There is significant relationship between recognition & rewards and employees' performance.

H6: Performance management system has efficacy to optimize the performance of employees.

### **3. Methodology**

#### **3.1 Nature and Type of Research Study**

The explanatory design of study has been selected, since this study aims at gaining ideas and insights by asking 'why' and 'how' questions about the constituents of performance management system. The deductive approach has been used for the research study. In deductive approach data is collected in the beginning stage. Once a substantial amount of data is gathered, then we go back to view the acquired data in detail. At that stage, critiques are made about the acquired data and hence it is tried to develop a theory that could explain the desired patterns. Now started with a set of observations and then moved from those general experiences to a particular set of propositions about those experiences.

#### **3.2 Research Population and Sampling**

All employees of pharmaceutical industry were the population of this dissertation, as every managerial and non-managerial staff is involved in the performance management of the organization. Hence, census approach may be utilized for the conduct of survey. However, due to various constraints and limitations, the convenience non-probability methods of sampling have been opted for selection of a sample for this dissertation. Sample size consists of 300 respondents working on managerial positions in food manufacturing industry.

#### **3.3 Data Integration/Treatment**

The data analysis includes quantitative data analysis. SPSS software has been used for data analysis. Descriptive statistics and inferential statistics have been made. Mean analysis, One sample t- test and co relation tools have been used for data integration and interpretation of results.

### **4. Research Findings**

#### **4.1 Descriptive statistics**

The data available in table 4.1 can be divided into two parts; the Agreement Zone is equal/greater than 3 mean value, whereas the Disagreement Zone has less than 3 mean value. Hence, on the basis of data there are two types of inferences which have been drawn. One comes in the Agreement Zone and other in the Disagreement Zone. According to the data, planning the performance and supporting the performance variables of performance management system of pharmaceutical industry come in the Disagreement Zone as the mean value is lower than 3. While, other three components/variables of performance management system, periodic performance review, formal appraisal as well as recognitions and rewards come in the Agreement Zone. Similarly, the performance of employees also comes in the

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agreement zone.

**Table 4.1**  
**One-Sample Statistics**

	N	Mean	Std. Deviation	Std. Error Mean
Planning the performance	300	1.4400	1.16516	.06727
Organizational Support	300	2.5300	1.19745	.06913
Periodic Performance Review	300	3.6667	1.05480	.06090
Formal Appraisal	300	3.61000	1.164368	.067225
Recognition & Rewards	300	3.5300	1.14607	.06617
Performance of Employees	300	3.6200	1.08298	.06253

**4.2 Test of Significance**

Table 3 provides statistical evidence of the hypotheses testing. First two alternative hypotheses Ha1, planning the performance and Ha2, supporting the performance are seen unaccepted owing to not rejection of null hypotheses. The p value of both variables is above .05 which indicates that both null hypotheses have not been rejected and alternative hypotheses on the other hand have not been accepted. Whereas, Ho3, Ho4, Ho5 and Ho6 null hypotheses could be rejected because the p value of all these variables is below .05 limits and the alternative hypotheses have been accepted. The data further shows that respondents have clearly viewed that planning the performance and supporting the performance are variables not contributing towards the performance management of staff. On the other hand, periodic performance review, performance appraisal, recognitions and rewards constituents of performance management system are those variables which are contributing towards the performance management of employees in pharmaceutical industry. The p-value of dependent variable, performance of employees, is also lower than 0.05.

**Table 4.2**  
**One-Sample Test**

<b>One-Sample Test</b>						
	Test Value = 3					
	t	Df	Sig. (1-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Planning the performance	12.645	299	.023	.74667	.6305	.8629
Organizational Support	4.768	299	.045	.29000	.1703	.4097
Periodic Performance Review	15.961	299	.000	1.12000	1.2581	.9819



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Formal Appraisal	3.776	299	.002	.360000	.54760	.17240
Recognitions & Rewards	13.388	299	.004	1.09000	1.2502	.9298
Performance of Employees	15.117	299	.001	.95000	1.0737	.8263

**5. Conclusion**

It has been emerged from the study that although performance management system exists at pharmaceutical industry of Karachi and its components are present in accordance with contemporary performance management models. However, improvements to major extent are required to achieve the effectiveness of performance management system. Even though, all variables of the performance management system are contributing towards the performance of employees but not in the true spirit. Hence, it is also a matter of concern not only for pharmaceutical industry of Karachi but to entire Pakistan which intend to improve their performance management structures.

Planning the performance is crucial to proper plan that how performance to be improved through distinct interventions. Therefore the presence of this important component of PMS in the true letter and spirit is mandatory. Similarly, supporting performance is also necessary constituent for the management of employees and all decisions pertaining to the financial and non-financial rewards as well as other administrative decisions are dependent upon this part of PMS. Dissatisfaction of employees about this part of performance management system is also matter of concern. Employees' dissatisfaction regarding this constituent of PMS is also need to be given specific attention by the decision makers of pharmaceutical industry of Pakistan.

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