The Study on The Impact of Performance Management System on Employee performance

UNDER THE GUIDANCE OF

Prof. Dr. K Hymavati Pavitra

SUBMITTED BY:

Khushi pandey
Admission no: 22gsob2010761

School of Business
Galgotias University

Abstract

This study delves into the intricate relationship between Performance Management Systems (PMS) and employee performance, aiming to illuminate the mechanisms underlying this connection. In a contemporary organizational landscape characterized by competitiveness and constant evolution, understanding how PMS influences employee performance is paramount for organizational success. The backdrop of this research is the recognition that effective performance management systems not only enhance individual performance but also contribute significantly to overall organizational efficacy.

The primary objective of this research is to examine the multifaceted impact of PMS on employee performance across diverse organizational contexts. To achieve this, a mixed-methods approach combining quantitative analysis of survey data and qualitative insights from interviews was employed. The research design allowed for a comprehensive exploration of various dimensions of PMS, including goal setting, feedback mechanisms, performance appraisal, and employee development initiatives.

The major findings of the study reveal that a well-designed and effectively implemented PMS positively correlates with improved employee performance. Specifically, clear goal setting aligned with organizational objectives, regular and constructive feedback mechanisms, fair and transparent performance appraisal processes, and opportunities for skill development and career advancement emerged as key factors driving enhanced employee performance. Moreover, the study uncovered the importance of employee engagement and buy-in towards the PMS, emphasizing the need for communication, training, and continuous evaluation to ensure successful implementation.

Based on the findings, it can be concluded that PMS plays a pivotal role in shaping employee behavior and performance outcomes within organizations. However, the effectiveness of PMS is contingent upon its alignment with organizational goals, as well as the support and commitment of both management and employees. Therefore, organizations must prioritize the design, implementation, and continuous improvement of their performance management systems to realize their full potential in enhancing employee performance and achieving strategic objectives.

In light of these conclusions, several recommendations for action can be proposed. Firstly, organizations should invest in the design and customization of PMS tailored to their specific organizational context and objectives. Secondly, there is a need for comprehensive training and communication programs to ensure that employees understand the purpose and processes of the PMS and are actively engaged in its execution. Additionally, regular monitoring and feedback mechanisms should be established to evaluate the effectiveness of the PMS and make necessary adjustments. Lastly, fostering a culture of performance excellence through recognition, rewards, and career development opportunities is essential for sustaining high levels of employee performance over time.

1. Introduction to this Thesis

1.1 Introduction

This study focuses on analyzing and exploring the impact of performance management system on employee performance. the organizational performance criteria should include profitability, productivity, marketing effectiveness, customer satisfaction, but also employee morale. In this perspective, employee performance is tightly related to organizational performance, effective and efficient employee performance will positively influence organizational performance. On the other view, built a framework of talent management which consists of planning, recruiting, performance, learning, career development, succession planning, compensation, and measuring and reporting. In order to organize a company effectively, companies must rethink how they hire, train and reward their employees; therefore the employees could be encouraged to be competitive. Undoubtedly, there is an important factor is human in organizations. One of the main management strategies of the organizations is to invest in employees. Organizations are seeking to develop, motivate and increase the performance of their employees in a variety of human resources applications. Thus, performance management should be an important step in the organization's HRM system and influences employee performance and then to organizational performance.

The reason why I chose this research topic is that nowadays there are many organizations that are relying on employees for success and competitiveness. According to the resource-based view, employees are the resources and assets of an organization. Consequently, organizations need to figure out strategies for identifying, encouraging, measuring, evaluating, improving and rewarding employees' performance at work. According to this respect, performance management and appraisal systems have come to play an indispensable role in helping organizations to reach their goals of productivity . In fact, human resource management practices could influence the behaviors of individual employees. The impact of Human Resources (HR) practices on employees' commitment and performance depends on employees' perception and evaluation of these practices .

Performance management is a process for ensuring employees focus on their work in ways that contribute to achieving the organization's mission is indispensable for a business organization. Actually, performance management includes various types or system. Performance management system is a kind of performance

management forms. Supervisors and managers are responsible for managing the performance of their employees. Each organization's policy should specify how the performance management system will be carried out. Organizations should adopt performance management practices that are consistent with the requirements of this policy and that best fit the nature of the work performed and the mission of the organization.

Therefore, it is important that this research will be conducted, or existing research will be expanded to understand employees' experiences and perceptions of performance management and appraisal system so that a completed and comprehensive performance system could be built up. Moreover, it is important for employees and managers to understand that performance management and performance management systems are the key determinants of an organization's long-term success or failure. If employees are not happy or do not agree with the performance management system, they are likely to be unwilling to take an active part in the process because they do not see any value of it. As a result, the organizational performance and productivity would decrease due to the inefficient employee performance. To conclude, this topic would be interesting and meaningful for any organization because the performances of employees have a significant relationship with organizational performance. Also, understanding how HRM practices influence employee performance could help organizations setting up a better management system, and finally improve employee performance and organizational performance.

This master thesis is an academic research which tests how a performance management system influences employee performance. Firstly, I will do a literature review which is a theory conclusion of former researches about performance management system and performance management. The research method in this study is secondary data analysis method. I will use the relevant independent and dependent variables from questionnaire to analyze the relationship between performance management system and employee performance. The Workplace Employment Relations Survey is the fifth in a series of surveys and is the latest of such surveys in the series that aims to provide a national representative of the state of employment relations and working life inside British workplaces. The main statistic tool is STATA which is a powerful tool for analyzing data. STATA can make statistics and data analysis fun because it does so much of the tedious work for user. Moreover, the main tests consist of Multivariate regressions.

In this master study, I attempt to discuss some hypotheses which would be built after the literature review. These hypotheses are relevant to the impact of performance management system on employee performance. Therefore, I could better understand the relationship between performance management system and employee performance.

1.2 Problem Statement

Performance management is important for an organization, as it helps organizations ensuring employees are working hard to contribute to achieving the organization's mission and objectives. Performance management sets expectations for employee performance and motivates employees to work hard in ways that is expected by the organization. Moreover, performance management system provides a completed and professional management process for organizations to assess the performance results of organizations and employees. Employee performance could be expected, assessed and encouraged. pressed that the importance of performance management system is on continuously improving organizational performance, and this is achieved by improved individual employee performance. Therefore, improving employee performance by using performance management system is a way to improve organizational performance. So, in this master thesis, I investigate the relationship between performance management system and employee performance

empirically. And how could the different stages in performance management system influence employee performance respectively?

Research question:
To what extent does the performance management system influence employee performance?

Sub-questions:
What is performance management?
What is a performance management system?
What is employee performance?
How to measure employee performance?
How does the performance management system influence employee performance?
-how does setting objectives influence employee performance?
-how do continuous communication, seeking feedback, coaching activities influence employee performance?
-how do personnel development, evaluation, pay-for-performance influence employee performance?

1.3 Research objectives

The study on the impact of performance management systems (PMS) on employee performance is critical for organizations striving to optimize their workforce effectiveness. This research aims to explore several interconnected objectives to comprehensively understand the relationship between PMS and employee performance.

Firstly, the study seeks to investigate the effectiveness of existing performance management systems in various organizational settings. This involves analyzing the design, implementation, and utilization of PMS components such as goal-setting, feedback mechanisms, and performance appraisal methods. By assessing the strengths and weaknesses of current systems, the research aims to identify areas for improvement and optimization.

Secondly, the research endeavors to examine the perceived impact of performance management systems on employee motivation and engagement. Understanding how PMS influences factors like job satisfaction, commitment, and intrinsic motivation is essential for fostering a positive organizational culture conducive to high performance. This objective entails exploring employee perceptions, attitudes, and experiences regarding the role of PMS in shaping their work behavior and outcomes.

Furthermore, the study aims to investigate the correlation between the alignment of individual and organizational goals within the performance management framework and employee performance outcomes. By examining the extent to which PMS effectively aligns employee objectives with broader organizational objectives, researchers can gauge its efficacy in driving performance improvements at both individual and organizational levels.

Another objective is to explore the impact of feedback mechanisms embedded within performance management systems on employee development and skill enhancement. This involves assessing the frequency, quality, and timeliness of feedback provided to employees, as well as examining its influence on learning, growth, and continuous improvement initiatives within the organization.

Moreover, the research seeks to identify potential barriers and challenges hindering the successful implementation and utilization of performance management systems. By exploring factors such as resistance to change, managerial biases, and organizational culture, researchers can develop insights into the practical implications of PMS initiatives and devise strategies to overcome implementation obstacles.

In summary, this study aims to provide a comprehensive understanding of the impact of performance management systems on employee performance by investigating various dimensions including system effectiveness, employee motivation, goal alignment, feedback mechanisms, and implementation challenges. By addressing these objectives, the research endeavors to offer valuable insights and recommendations for organizations seeking to enhance their performance management practices and optimize employee performance outcomes.

2. Literature review

In order to answer these questions, I need to do a literature review which a body of text that aims to review the critical points of current knowledge including substantive findings as well as theoretical and methodological contributions to a particular topic. Initially, in 2.1 I will introduce the definition about performance management, and 2.2 is the literature review about performance management system which made up of three stages: developing and planning performance, managing and reviewing performance and rewarding performance. Then, there will be an extensive literature review about employee performance and measurement, also the nature of relationship between each stage in performance management system and employee performance.

2.1 Performance management

The study of performance management has been popular within human resource management study. I attempt to define performance, as deploying and managing the components of the causal model that lead to the timely attainment of stated objectives within constraints specific to the firm and to the situation . At an organizational level of analysis I assume that an organization that is performing well is one that is successfully attaining its objectives; in other words, one that is effectively implementing an appropriate strategy. The AMO-model
 claims performance which is a function of employees' Ability, Motivation and Opportunity to participate. This means that an organization will benefit most if it organizes the work process in such a way that non-managerial employees have the opportunity (O) to contribute discretionary effort and it could be achieved by giving them autonomy in decision making, by providing in good communication and by employee membership in self-directed and/or off-line teams. For their effort to be effective, employees need to have the appropriate skills and knowledge (A). Hence, organizations can achieve this by attracting employees who already poses this knowledge, or by providing employees with formal and/or informal training. Finally, the organization needs to motivate these employees to put their abilities into the best effort for the organization (M).

A general performance management considers such problems: "What are the key objectives that are central to the organization's overall future success, and how does it go about evaluating its achievement for each of these objectives? What strategies and plans has the organization adopted and what are the processes and activities that it has decided will be required for it to successfully implement these? How does it assess and measure the performance of these activities? What level of performance does the organization need to achieve in each of the areas defined in the above two questions) and how does it go about setting appropriate performance targets for them? What rewards will managers (and other employees) gain by achieving these performance targets (or, conversely, what penalties will they suffer by failing to achieve them)? What are the information flows (feedback and feed-forward loops) that are necessary to enable the organization to learn from its experience) and to adapt its current behavior in the light of that experience?"

, who gave a completed and comprehensive HR related performance management definition which is "an approach to creating a shared vision of the purpose and aims of the organization, helping each individual employee understand and recognize their part in contributing to them, and in so doing manage and enhance the performance of both the individual and the organization". Similarly, performance management is a management process for ensuring employees is focusing on their work efforts in ways that contribute to achieving the organization's mission. It consists of three phases:

(a) setting expectations for employee performance,

(b) maintaining a dialogue between supervisor and employee to keep performance on track, and

(c) measuring actual performance relative to performance expectations. Armstrong defined performance management as a means of getting better results from the whole organization by understanding and managing within an agreed framework, performance of planned goals, standards and competence requirements. "Performance management is a process of designing and executing motivational strategies, interventions and drivers with on objective to transform the raw potential of human resource into performance. All human beings possess potential within themselves in a few or more functional areas. However, utilization and conversion of

this potential into deliverable performances is often sub optimal due to a variety of reasons. Performance management acts as an agent in converting the potential into performance by removing the intermediate barriers as well as motivating the human resource". Comprehensively, defines performance management as an ongoing communication process, undertaken in partnership, between an employee and his or her immediate supervisor that involves establishing clear expectations and understanding about: the essential job functions of employee are expected to do; how the employee's job contributes to the goals of the organization; what doing the work well means in concrete terms; how employee and supervisor will work together to sustain, improve, or build on existing employee performance; how performance management will be measured, and identifying barriers to performance and removing them.

The similarities of general performance management and HR related performance management are the goal setting, planning, evaluation, feedback and rewarding activities. However, the HR related performance management focus on the management of employee or managers, then motivating employees and managers. Moreover, general performance management was defined more widely than HR related performance management. It considers the definition of goals and the measurement of goal attainment) not just financially but also in terms of meeting all stakeholder aspirations.

HR-performance management aims at developing potential capabilities of human resource. The performance management must be in line with the company's long-term policies. Performance management involves managing employee efforts, based on measured performance outcomes. Therefore, determining what

constitutes good performance and how the different aspects of high performance can be measured is critical to the design of an effective performance management process. And performance management effectiveness increases when there is ongoing feedback, behavior-based measures are used and preset goals and trained raters are employed .

2.2 Performance management system

In different literature, there are various models of performance management. Each model has its importance as a system for managing organizational performance, managing employee performance, and for integrating the management of organizational and employee performance. Performance management involves multiple levels of analysis, and is clearly linked to the topics studied in strategic HRM as well as performance appraisal. Different terms refer to performance management initiatives in organizations, for example, performance-based budgeting, pay-for-performance, planning, programming and budgeting, and management by objectives. A performance management system, is increasingly seen as a means of integrating HRM activities with the business objectives of the organization, where management and HR activities are

working together to influence individual and collective behavior to support the organization's strategy. Besides, he also stressed that the performance management system must fit with the organization's culture. Performance management system is a kind of completed and integrated cycle for performance management. The emphasis of performance management systems is on continuously improving organizational performance, and this is achieved through improved individual employee performance. Similarly from the suggestion of the objectives often include motivating performance, helping individuals develop their skills, building a performance culture, determining who should be promoted, eliminating individuals who are poor performers, and helping implement business strategies. The main **purpose** of the performance management system is to ensure that:

1. The work performed by employees accomplishes the work of the company;
2. Employees have a clear understanding of the quality and quantity of work expected from them;
3. Employees receive ongoing information about how effectively they are performing relative to expectations;
4. Awards and salary increases based on employee performance are distributed

accordingly;

5. Opportunities for employee development are identified; and
6. Employee performance that does not meet expectations is addressed

Developing a performance management system is essential for an organization. Developing a performance management system, according to Schneider,, is classified into a development, planning, managing, reviewing and rewarding phase. suggested that a typical performance management system would include: the organization communicates its mission/strategies to its employees; the setting of individual performance targets to meet the employees' individual team and ultimately the organization's mission/strategies; the regular appraisal of these individuals against the agreed set targets; use of the results for identification of development and/or for administrative decisions; and the continual review of the performance management system to ensure it continues to contribute to the organizational performance, ideally through consultation with employees.
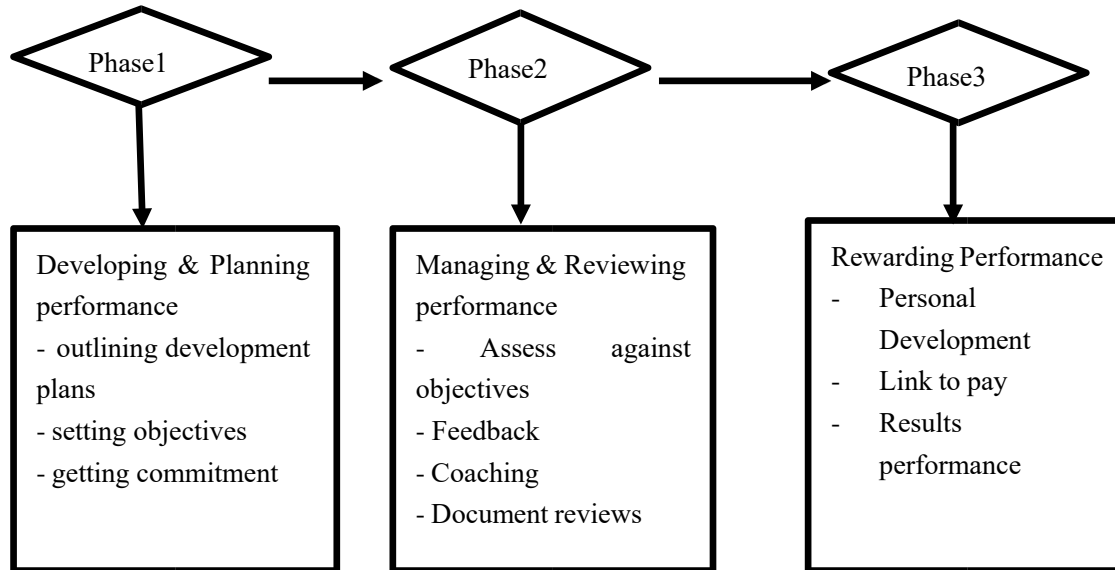
 suggested that the main building blocks of a performance management system approach include: development of the organization's mission and objectives; enhancing communication within the organization

so that employees are not only aware of the objectives and the business plan, but can contribute to their formulation; clarifying individual responsibilities and account abilities; defining and measuring individual performance; implementing appropriate reward strategies, and developing staff to improve performance, and their career progression further in the future.

2.2.1 **The stages of Performance Management System**

A performance management system is classified into a development, planning, managing, reviewing and rewarding phase. Figure 2.1 below shows the contents of three phases .

Figure2.1: Performance Management System

From above figure, the performance management system consists of three phases: developing and planning performance is the Phase 1 which includes outlining development plans, setting objectives and getting commitment activities; managing and reviewing performance is the Phase 2 which includes assessing against objectives, seeking feedback, coaching and document reviews activities; rewarding performance is the last phase which has personal development, results of performance and link to pay activities. In the last chapter, I introduced the performance management system definition from Fletcher. He mentioned that a performance management system approach should include developing organization's mission and objectives, enhancing communication within organization, clarifying individual responsibilities and account abilities, then defining and measuring individual performance and rewarding performance, and finally improving staff performance and developing career progression in the future. There is an apparent difference of definition between, it is the communication. Fletcher pointed that enhancing communication within the organization so that employees are aware of the objectives and the business plan, and employees can continue communication in the production process for exchanging information, discussing problems and seeking feedback. Thus, I would combine the definition of performance management system Clear and detailed employee performance objectives play a crucial role in helping companies to perform in accordance with their business plan and achieve their

strategic goals. Then, the managing performance activities like seeking feedback and coaching, also evaluation and rewarding are included in the theories of both authors. In addition to this, I would analysis the continuous communication activity in the managing performance phase as well. The reason why I concluded communication activity in the performance system is that communication between managers and employees and communication within employees could make employees understand the objectives and make managers

supervise the progress of daily work. Next, the details and contents in each phase would be introduced and discussed adequately.

Phase1: Developing and planning performance

Planning is the first stage in the performance management system process cycle and offers the foundation for an effective process. Planning is a continuous process in performance management and should be executed with great care. Planning helps to encourage commitment and understanding by linking the employees' work with the organization's goals and objectives . It usually includes identifying key value drivers of stakeholders, for example, shareholders, customers and employees of the organization. Similarly, according to Armstrong and Baron, objectives or goals describe something to be accomplished by individuals, departments and organizations over a period of time. They can be expressed as targets to be met, for instance, sales, and tasks to be completed before the deadline. Armstrong and Baron) further state that objectives need to be defined and agreed on. The objectives relate to the overall purpose of the job and define performance areas--all the aspects of the job that contribute to achieving its overall purpose. Targets then are set for each performance area. Rogers and Hunter stated that goal setting is the fundamental aspect for an organization. They further indicated that productivity gains will correlate with the extent of top management support for and employees' participation in the process of setting objectives. It is a motivational process which also gives the individual the feeling of being involved and creates a sense of ownership for employees. At the same time, part of the planning phase includes the agreement on a formal development plan for the employees. Actually this plan should be based on requisite skills, behaviors and knowledge and key competencies that will be required to achieve the objectives and targets set. The development plan can also include long-term development initiatives which are usually based on potential and good performance.

In this planning phase, the supervisors and subordinates are involved in a joint participative process and set organizational goals, as well as specific goals for an individual. Objectives, on the other hand, also create the environment in which an individual will be measured according to his or her own performance and output, with set standards for evaluation

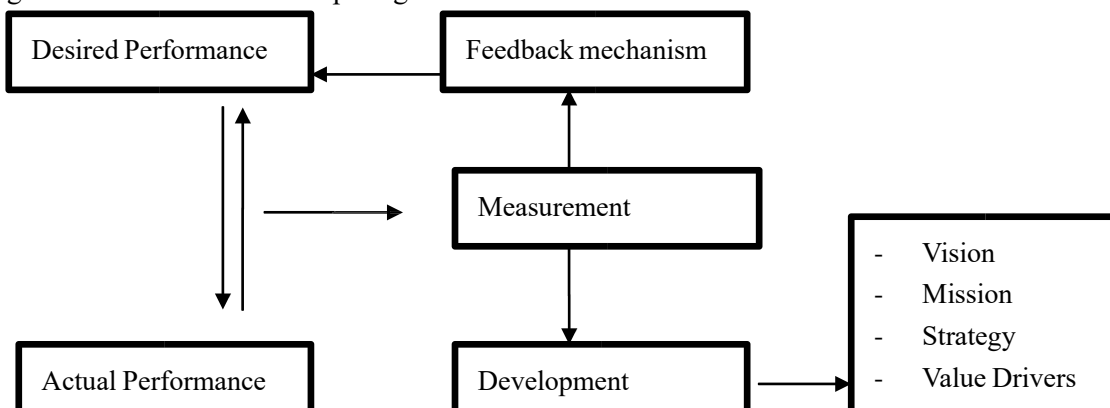**Phase 2:** Managing and Reviewing performance

Managing performance is the second element of the performance management system cycle. This step distinguishes performance management as a process from performance appraisal as an activity. every employee is responsible for managing his or her own work performance. This involves: (1) maintaining a positive approach to work, (2) updating and revising initial objectives, performance standards and job competency areas as conditions change, (3) requesting feedback from a supervisor, (4) providing feedback to supervisor, (5) suggesting career development experiences, and (6) employees and supervisors working together, managing the performance management process. According to the view of Fletcher, in the second stage, enhancing communication within an organization is important for employees to be aware of objectives and contribute to the future development.

 pointed that at its best, performance management is a tool to ensure that managers manage effectively. Therefore, performance management system should ensure the manager of employees or teams know and understand what is expected of them, and have the skills and ability to deliver on these expectations and be supported by the organization to develop the capacity to meet these expectation are given feedback on their performance; and have the opportunity to discuss and contribute to individual and team aims and objectives. Moreover, performance management system is also about ensuring that managers themselves are aware of the impact of their own behavior on the people they manage, and are encouraged to identify and exhibit

positive behaviors. The actual performance is compared to the desired performance, so the outcome is evaluated and a development plan is set according to the weakness with reference the strategy. This outcome also provides a feedback mechanism to employees. In order to improve the feedback and update and discuss initial objectives, the organization should also focus on communication within employees and between employees and managers. It is important for managers to develop a fully integrated strategy which enables the different forms of communication to contribute to the success of the firm's mission or common goal. Moreover, continuous communication or exchanging information between an organization's strategic managers and its internal stakeholders should be designed to promote commitment to the organization and aware of its changing environment and understanding of its evolving aims.

In the second phase, it includes the performance reviews which can be regarded as learning events. Individuals could be encouraged to think about how and in which ways they want to develop. Research by demonstrates that feedback has strong positive effects on the performance of both individuals and groups, specifically through role clarification, improved self-efficacy, the establishment of behavior reward contingencies and increased self-regulatory control processes, the actual performance could also be compared to the desired performance, therefore the outcome is evaluated and a development plan is set based on the weakness. This comparative approach also provides a feedback mechanism to employees. Figure 2.2 shows the structure of performance comparing according to the view of

Figure 2.2: Performance Comparing

Additionally, in this phase, coaching and training is an important tool in learning and development. Coaching is developing a person's skills and knowledge so that employees' job performance improves, and helps them to achieve of organizational objectives. Managers should identify and implement training and other actions necessary to improve individual performance. performance management is a strategic and integrated approach to delivering sustained success to organizations by improving the performance of the people who work in them and by developing the capabilities of teams and individual contributors. Similarly, Black, suggest that the training courses that are offered by organizations must be designed through considering the present and future needs of the employees and facilitate the learning of these skills. A good training or coaching course should improve the quantity and quality of organizations output; increase the chance of organizational success; decrease the organizational costs and expenses. Moreover, coaching is increasingly being recognized as a significant responsibility of managers, and can play an important role in an employee's working life. In, Cunneen stressed that coaching comes naturally, and could take place during the review meetings or should be carried out throughout the year. Also, in this phase, training may be needed to improve their skills.
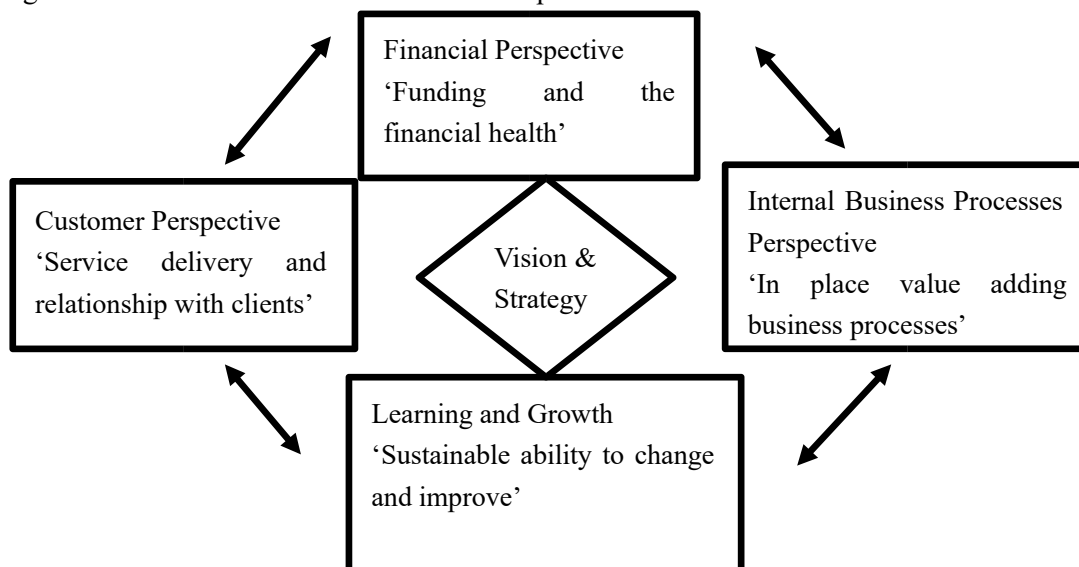
Phase 3: Rewarding Performance the rewarding performance phase includes three activities: personnel development, linking to pay and identifying the

results or performance. In view, the function of personnel development is that the growth of people can be accelerated over and above that which would take place naturally and normally, and then maximum the employees' contribution to personal and group goals. Personnel development has some development principles. First one is personal involvement. All personnel development is basically self-development. Opportunity for development is valuable only if the individual capitalizes on it himself. In fact, the organization can and should offer encouragement and help, but development activities seem to be successful only to the degree that individuals become personally involved in them. Second one mutual objective. The premise of any development activity in organization, there should be a clear understanding and acceptance of mutual objectives by both the individual and organization. If the objectives are understood and accepted, the efforts expended will be far more likely to succeed. The company should offer universal opportunity to every employee instead of single out a few of its people and make opportunities available only to them. In fact, it is difficult to make long-term predictions concerning the ambition, drive, and growth potential of individuals. The forth principle is individual planning. Development is individual and should be tailored to fit the individual and the situation; attempts to squeeze everyone into the same model may even prove a waste of effort. Moreover, development should be designed to improve performance on the current job firstly, and then prepare the employee for promotion. Employees who get promoted are those who are currently doing outstanding work and thus have been able to demonstrate their capacity to assume greater responsibilities. Next principle is continuity. If a man who abandoned his efforts to keep updating skills or information, he will become antiquated. Especially for nowadays, the new knowledge and skills are constantly being introduced. also points out that the benefit of personnel development. For employees, if the individual skills or knowledge increase, he may create more value and as a result he may receive a sense of satisfaction in the achievement of personal goals and attainment of professional recognition. On the other hand, for organization, personnel development is able to achieve competitive advantages because of a better qualified and a more highly motivated team, and is able to utilize advanced technology because of the effectively trained employees. Furthermore, training activities should ideally be based on performance gaps that are identified during the performance review phase. By linking training to identified performance gaps, training will be focused, specific and relevant. Teke also points out that relevant training and development interventions and regular performance feedback are important factors in skills retention. Therefore, the training, development strategy and the performance management system process should be aligned tightly with the overall retention strategy of the organization. Development programmes are reflecting the needs of succession plans and seeking to foster leadership skills. In addition, there is a growing interest in pay-for-performance plans focused on small groups or teams. Small group pay plans provide monetary rewards based on the measured performance of the group or team.

Evaluation and checking feedback are both important activities in this period. In most organizations, they will not have only one corporate scorecard for the company as a whole, but will also have separate scorecards for each division/employee that feeds into the overall scorecard . See Figure2.3, the first process is translating the vision which helps managers build a consensus around the organization's vision and strategy. For employee to act on the words in vision and strategy statements, those statements must be expressed as an integrated set of objectives and measures, agreed upon by all senior executives, that describe the long-term drivers of success. From financial perspective, organization should form some kind of profit measure for organization and employee performance. Financial performance measures might include shareholder value such as economic value added, profitability and growth such as sales volume growth and cost reduction, and liquidity and solvency such as inventory turnover and ratio of debt to assets. Then, organizations and employees also need to fulfill customers' commands and needs. The customer perspective

measures include client satisfaction, client profitability or time, price and quality . The measures needed in the internal business processes perspective can be summarized in the company's value chain. For instance, the organization could create new products and services to penetrate new markets and customer segments, also to achieve operational excellence through improving internal process and asset utilization. The last perspective is learning and growth, managers will define the employee capabilities and skills, technology, and corporate climate needed to support a strategy. organization should pay attention to assess the effectiveness of their research and development process. Then, employee retention, workforce productivity, the number of suggestions made by employees and the number of suggestions implemented could be treated as the performance measures.

Figure 2.3: A Balanced Scorecard to evaluate performance

In this phase, pay-for-performance could be used together as a tool to assess the performance. Moreover, in the organization, employees are most likely to perceive that pay differences are made fairly when they are provided with information regarding the appraisal process and employees are allowed to discuss the appraisal results. According to the view of Locke, the pay-for-performance principle involves providing monetary rewards through carefully designed compensation system that base pay on measured performance within the control participants. employee performance appraisal is defined as 'the process of identifying, evaluating and developing the work performance of the employee in the organization, so that organizational goals and objectives are effectively achieved while, at the same time, benefiting employees in terms of recognition, receiving feedback, and offering career guidance'. Appraisals can be based on results or behavior. Behavior-based appraisals focus on the behaviors of individuals necessary to perform the job effectively, whereas results-oriented appraisals focus merely on the consequences of those behaviors. Therefore, procedural justice concerns are central to ensuring that employees perceive the process of performance appraisals, and the linkage of appraisal to pay, to be fair. In most situations, properly designed pay-for-performance systems will lead to better performance results. Pay-for-performance systems make major contributions to performance through two main mechanisms. First, they positively influence the motivation to perform. Second, they impact the attraction and retention patterns of organizations, thereby affecting the ability of individuals available to perform. Pay-for-performance systems can deliver monetary rewards at the individual, small group, and/or divisional or organizational level. All of this impact of different levels can positively impact performance.

2.3. **Employee performance**

In the organizational context, performance is usually defined as the extent to which an organizational member contributes to achieving the goals of the organization. Employees are a primary source of competitive advantage in service-oriented organizations . In addition, a commitment performance approach views employees as resources or assets, and values their voice. Employee performance plays an important role for organizational performance. Employee performance is originally what an employee does or does not do. Performance of employees could include: quantity of output, quality of output, timeliness of output, presence at work, cooperativeness. pointed that improved individual employee performance could improve organizational performance as well. From points, employee performance could be defined as the record of outcomes achieved, for each job function, during a specified period of time. If viewed in this way, performance is represented as a distribution of outcomes achieved, and performance could be measured by using a variety of parameters which describe an employee's of performance over time. On the other hand, said employee's performance is a rating system used in many corporations to decide the abilities and output of an employee. Good employee performance has been linked with increased consumer perception of service quality, while poor employee performance has been linked with increased customer complaints and brand switching. To conclude, employee performance could be simply understood as the related activities expected of a worker and how well those activities were executed. Then, many business personnel directors assess the employee performance of each staff member on an annual or quarterly basis in order to help employees identify suggested areas for improvement.

2.3.1 **Employee performance measurement**

The concepts of performance are studied through evaluation of overall performance and the management of the performance and the evaluation of performance is the process classifying certain outcomes within a definite time frame. Moreover, the axiom, 'If you can't measure it, you can't manage it,' underpins the rationale for organization having a completed and comprehensive performance measurement system such as the Balanced Scorecard or total quality performance management. This approach connects measures throughout an organization to translate high level objectives into lower level activities. Then, measures are imposed on individual employees to monitor their performance of these activities. Performance criteria need to be unambiguous, clearly explained, relevant to the work tasks undertaken by employees and achievable. The criteria should not include factors beyond the control of the individual employee. Supervisors also need to be trained to provide regular, meaningful and constructive feedback. Employees should also be provided with appropriate training and development opportunities to overcome weaknesses in performance identified through the appraisal process. The assessment of individual employee performance also needs to focus on evaluating employee behavior and work performance and not the personality of the employee. employees within firms contribute for organizational performance and HRM practices can affect individual employee performance through their influence over employees' skills and motivation and through organizational structures that allow employees to improve how their jobs are performed. Also, he used labor turnover, productivity as employee performance measurement when he test the influence of HRM practices on employee performance. Labor turnover is the rate at which an employer gains and losses employees. concluded that perceptions of job security, the presence of a union, compensation level, job satisfaction, organizational tenure, demographic variables such as age, gender, education, and number of dependents, organizational commitment, whether a job meets an individual's expectations, and the expressed intention to search for another job were all predictive of employee's leaving, also concluded that perceptions of organizational culture influenced turnover. Job dissatisfaction could cause employees to leave once they have reached decisions on the desirability of movement and the perceived ease of movement. Prior to leaving the organization, individuals experiencing job dissatisfaction explore job alternatives and evaluate these in terms

of their expected utility. The traditional approach therefore views voluntary separation as a consequence of low job satisfaction combined with alternative labor market opportunities that are subjectively perceived as having higher utility and relative ease of movement to alternative employment . In order to avoid job dissatisfaction, employees need adequate remuneration, job security and comfortable working conditions

In perspectives, productivity is a performance measure encompassing both efficiency and effectiveness. Labor productivity means the output of workers per unit of time which is a commonly used and straightforward measure of productivity. The growth rate of labor productivity is approximately equal to the difference between the growth rate of output and the growth rate of the number of hours worked in the economy. High performing, effective organizations have a culture that encourages employee involvement. Therefore, employees are more willing to get involved in decision-making, goal setting or problem solving activities, which subsequently result in higher employee performance. Moreover, labor productivity also could be impact by continuing information technology innovations which has the potential of changing the competitive game for many organizations. If employee output is produced by two factors, labor and capital, then the growth of labor productivity depends upon the rate of 'capital deepening' and the growth of 'multi factor productivity' . Capital deepening refers to a rise in the ratio of capital to labor, that is, an increase in the amount of capital which includes machines, structures, and infrastructure. For a given level of technology, capital deepening raises workers' ability to produce more output with the same level of effort. Increases in multi factor productivity may reflect advances in technology, but they may also reflect any other developments that result in greater efficiency, such as reorganization of tasks in a firm or improvements in distribution channels used to deliver goods and services.

2.4. The relationship between Performance management system between employee performance
2.4.1 Developing and Planning--Mission and individual objectives

The first stage of performance management system is developing and planning. In this stage, business needs to set up mission and objectives, and then clarify the individual responsibility and duty. A mission is an organization's character, identity, and reason for existence. It can be divided into four inter-relating parts: purpose, strategy, behavior standards and values. Purpose addresses why an organization is in being; strategy considers the nature of the business; behavior standards are the norms and rules of ' the way we do things around here '; values are the beliefs and moral principles that lie behind the behavior standards, beliefs that have normally been formulated within the organization by a founding dynasty or a dominant management team . In order to maximize performance, organizations focus on the efforts of the organization on explicit, challenging and realistic aims and objectives. A clear mission answer the question: what business should the company be in, and it should be the guide line for employees and managers behavior and performance. refer to as creating a sense of mission--that is, employee's personal commitment to the organization's mission. There are two simple views on the purpose of the mission statement: one is that it is primarily for external public relations and the other is that it is to motivate staff within the company. A simple explanation of motivation is the capability to change behavior. Motivation is also a drive that holds one to act because human behavior is directed toward some goal. established a study where motivation enforced the employee outcomes such as persistence, productivity and performance. Besides, motivated employees are found to be more self-driven and more autonomyoriented than those who are less motivated, which suggests that they will take more responsibility when offered developmental opportunities. On the other hand, motivated employees are also more engaged and involved with their jobs they may be more involved in the work of their colleagues, when compared with employees with low motivation.

The organization still sets individual performance management targets which related both to operating-unit and wider organizational objectives performance management supports a company's or organization's overall

business goals by linking the work of each individual employee or manager to the overall mission of the work unit. Individual targets or responsibilities could be the mechanism to enable the performance of individuals within the organization to be aligned with the mission statement and the way of adjusting performance requirements to meet new challenges which may arise.

In the first stage, the most important thing of developing and planning performance is setting mission and objectives. Mission and objectives could motivate employees to act by the directions; therefore, motivated employees are more engaged and involved with their jobs. Moreover, motivated employees are found to be more self-driven and more autonomy-oriented. Therefore, I set up the first hypothesis:

Hypothesis 1: Developing and Planning phase will lead to better employee performance.

Hypothesis 1a: Having set objectives in organization will lead to better employee performance.

2.4.2   Managing and Reviewing performance

In this second stage, there are lots of activities that include observing and document efforts and accomplishments; provide feedback, coach and counsel employee regarding performance. In this stage, enhancing communication within the organization, so that employees are not only aware of the objectives and the business plan but can contribute to their formulation. Besides, employee communication could be discussed in the narrowly defined context of mediated communication, for instance, the impact of internal newsletters or specialized internal communication tactics. However, found that employees tended to prefer direct interpersonal communication to mediated communication when they need more information on ongoing issues of their corporations. an effective communication climate is based on such topics: job, personal, operational and strategic issue. Moreover, concluded top six topics were cited for 'information needed--how problems that I report in my job are dealt with; how my job contributes to the organization; how decisions that affect my job are reached; things that go wrong in my organization; staff development opportunities, my performance in my job. favorable employee communication has been shown to increase job satisfaction and employee performance and finally result in

organizational success

On the other way, providing the quantitative and qualitative standards for judging individual and organizational performance are important elements in managing performance. As a result, individual employees would be aware of the standards which will encourage them and be the main objectives of them. Performance reviews can be regarded as learning events, in which individuals can be encouraged to think about how and in which ways they want to develop. Performance feedback has significant potential to benefit employees in terms of individual and team performance. suggest that feedback is essential for organizational effectiveness and that a lack of feedback can lead to anxiety, inaccurate self-evaluations, and a diversion of effort toward feedback gathering activities. Moreover, effective performance feedback has the potential to enhance employee engagement, motivation, and job satisfaction . Performance feedback is a critical component of all performance management systems. It can be defined as information about an employee's past behaviors with respect to established standards of employee behaviors and results. Effective performance feedback is timely, specific, behavioral in nature, and presented by a credible source. The goals of performance feedback are to improve individual and team performance, as well as employee engagement, motivation, and job satisfaction. Performance feedback is effective in changing employee work behavior and enhances employee job satisfaction and performance. On the other hand, it is necessary to analysis and understands the feedback which is always ignored its complexities. Feedback may improve performance

under some conditions. However, in other conditions, feedback may not impact performance or even prove detrimental to performance.

According to this perspective, it further indicates that a number of factors, including characteristics of the feedback source and message, and timing issues such as the amount and frequency of feedback employees received attitudinal outcomes of feedback.

Coaching is an important tool in learning and development. Coaching is developing a person's skills and knowledge so that his or her job performance improves, leading to the achievement of organizational objectives. Similarly, pointed that the knowledge bases of coaching provide the company's employees with a new professional outlook that in the long term leads to a higher level of productivity. An individual's attitude towards an issue is factually the vision that he or she form around that entity. Positive attitude affects the productivity of the organization, affects the productivity of the organization, while skills refers to the employee's ability in undertaking the practical tasks. The employees feel more efficient and confident in performing their duties when they learn what material would be needed, how the material must be collected and interpreted.

In the second stage, managing performance includes communication, collecting performance and coaching. Communication makes employees who are not only aware of the objectives and the business plan but can contribute to their formulation. Feedbacks contribute to evaluating the actual performance of employee with desired performance. Managers and employees could realize the advantages and disadvantages of their works. After the realization of pros and cons of works, the coaching plays a role to improve acknowledge and skills of employees and finally impact the employee performance. Therefore, the second hypotheses are built up: Hypothesis 2: Managing and Reviewing performance phase will lead to better employee performance. Hypothesis 2a: Continuous communication within organization will lead to better employee performance; Hypothesis 2b: Collecting feedback will lead to better employee performance; Hypothesis 2c: Having coaching activity within company will lead to better employee performance.

2.4.3 Rewarding performance

Rewarding performance happens on the end of performance period. The main activities include evaluating employee's accomplishments and skills; discussing evaluation with employees. It evaluates the effectiveness of the whole process and its contribution to overall organizational performance to allow changes and improvements to be made, and also provides the feedback to the organization and to individual staff about their actual performance. The effectiveness of any organization is dependent on the quality of its personnel. The right people must be originally selected into the organization, motivated to works; and sound personnel promotion and training decisions must be made in filling nonentry level. An effective personnel performance evaluation system is a crucial cornerstone in this process, as it provides the data needed for most of the required administrative decisions. This system plays a key role in motivating people to utilize their abilities in pursuing the organization's goals.

After the evaluating and checking the feedback, managers or organizations should provide the pay-for-performance. Financial appraisal is a useful tool to intent employee's passion for their work. In this stage, managers still need to focus on developing staff to further improve performance, and their career progression, in the future. Rewards represent important mechanisms by which employee behaviors can be aligned with the interests of the organization. Particularly, pay-for-performance is a reward practice that links one's pay increase to one's performance, and could be used to direct, sustain, and motivate desirable behaviors, such as knowledge sharing , creativity, quality and customer satisfaction . Pay-for-performance establishes the behavioral criteria by which rewards are allocated and in doing so underpins the alignment of employee behavior with organizational values and objectives. Therefore, if an employee achieves his or her

performance objectives then the employee receives a pay increase. This simple and visible link between pay and performance recognizes an employee for a specific level of accomplishment, therefore nurturing favorable work attitudes, such as satisfaction and commitment. Thus, the effectiveness of pay-for-performance has a direct influence on high levels of service quality and desirable work attitudes.

In the last stage, rewarding performance consist of personnel development, final evaluation and rewarding activities. Financial appraisal is a useful tool to intent employee's passion for their work. Rewarding motivates the positive emotion of employees, such as satisfaction and commitment. Thus, the effectiveness of pay-for-performance has a direct influence on high levels of productivity and desirable work attitudes. Therefore, the third hypothesis is set up:

Hypothesis 3:   Rewarding   performance   phase   will   lead   to   better   employee performance.

Hypothesis 3a: Personnel development will lead to better employee performance;

Hypothesis 3b: Evaluating performance will lead to better employee performance; Hypothesis 3c: Pay-for-performance will lead to better employee performance.
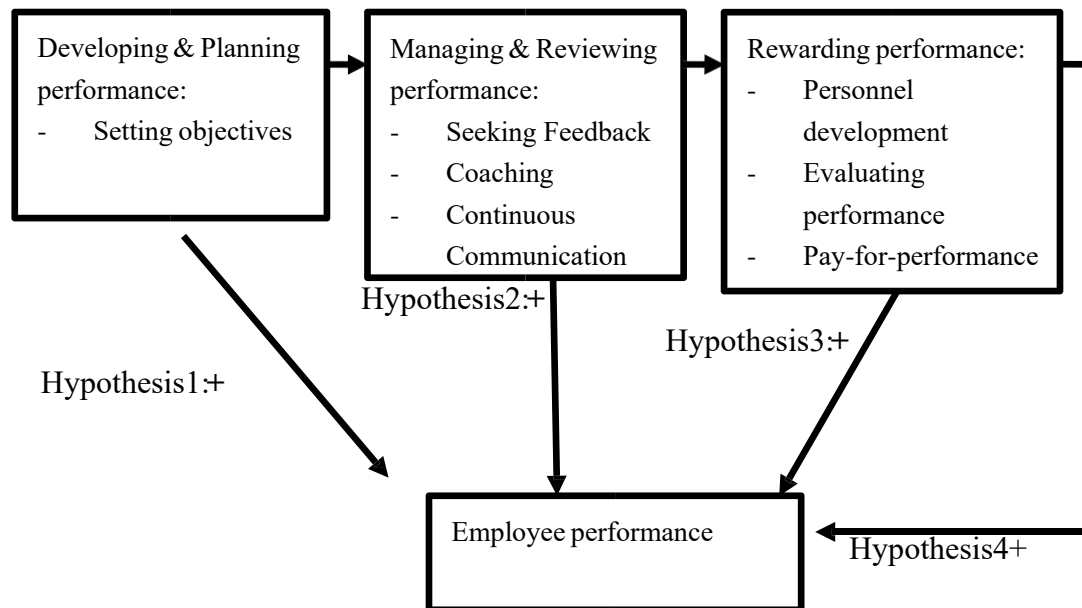
To conclude, from the above literature review, nowadays the performance management which is a management process for ensuring employees is focusing their work efforts in ways that contribute to achieving the agency's mission is indispensable for a business organization. At the same time, the performance management system is quite obviously influencing employee performance. Moreover, each phase within performance management system also impact employee performance respectively. Setting up an accurate and ambiguous objectives or goals for organization and employee could guide for staff to produce effectively and efficiently in a certain period. In addition, such a goal and plan could improve employee's initiatives and commitment for their job. Performance review provides the feedback of employee performance which could reflect the problems during the production and advantages for employees. Facing those problems, organization needs to solve it. In performance management system, communication and training could play an important role in improving employee performance. The continuous communication between managers and employees, also the communication between employees would contribute to update organizational and individual goals, solve and improve the deficiencies in the production process so that the performance quality would be improved and guaranteed. On the other hand, coaching focuses on empowerment, development and qualifying employee through knowledge and skills so that the problems would be corrected and the success opportunity of the organization would be increased. Through those activities, employee performance could be improved in different aspect. For instance, the productivity of employee performance, the teamwork and communication effectiveness could be influenced positively. Self-development of employee is also quite important for improving employee performance and it could integrate the organizational support and opportunities as well. In the last stage of performance management system, performance evaluation could use for assessing the performance in the process and providing the information for paying. Management's feedback is required for a common sense reason. When the employees do good jobs, they expect a pat on their backs (positive feedback); on the other hand, if the poor performers do not receive any constructive feedback which tells them to improve, they will think that the present level of performance is accepted in the organization and they might not put extra efforts to improve. Performance appraisal or pay-for-performance could be treated as a tool to reward employee for their good performance and motivate employee to perform better in the next process. To sum up, I would like to build a hypothesis that the whole performance management system will have impact on employee performance.

Hypothesis4: Performance   management   system   will   lead   to   better   employee performance.

3. Model building

According to the above hypotheses, a research framework would be built based on that. Firstly, I would test the relationship between setting objectives which is the most important activity in the developing and planning performance stage with employee performance (Hypothesis 1). In the second stage, I would test the relationship between seeking feedback, coaching and communication with employee performance respectively (Hypothesis 2abc). Then, in the last stage, how do personnel development, seeking evaluation and payment influence employee performance would be test (Hypothesis 3abc). Figure 3.1 below illustrates the research model.

Figure 3.1: Research Model

4. Methodology

The research strategy is based on quantitative research. quantitative research can be described as involving a collection of numerical data and as presenting a view of the relationship between theory and research as a deductive and objectivist conception of social reality, with a preference for a mutual science approach.

4.1 Introduction of Dataset

The research is based on secondary data analysis of the Workplace Employment Relations Survey. secondary analysis is a form of research in which the data collected and processed by one researcher are reanalyzed--often for a different purpose--by another. This is especially appropriate in the case of survey data. The Workplace Employment Relations Survey is the fifth in a series of surveys and is the latest such survey in the series that aims to provide a nationally representative account of the state of employment relations and working life inside British workplaces. survey research in general offers advantages in terms of economy, the amount of data that can be collected, and the chance to sample a large population. The standardization of the data collected represents another special strength of survey research. On the other hand, survey research has several weaknesses: it is somewhat artificial, potentially superficial, and relatively inflexible. Using surveys to gain a full sense of social processes in their natural settings is difficult. In general, survey research is comparatively weak on validity and strong on reliability. Surveys include the use of a questionnaire--an instrument specifically designed to elicit information that will be useful for analysis. Questionnaires are used

primarily in survey research and include open-ended questions which the respondents are asked to provide his or her answers and close-ended questions which the respondents are asked to select an answer from among a list provided by the researcher. a majority of questions are close-ended questions. Moreover, is a computer aided personal interview which is a computer assisted data collection method for replacing paper-and-pen methods of survey data collection and usually conducted at the home or business of the respondent using a portable personal computer such as a notebook.

The purpose of each survey in the series has been to provide large-scale, systematic and dispassionate evidence about numerous aspects of employment relations across almost every sector of the economy in Britain. The Cross-Section interview with employee representatives contains questions on: structure of representation at the workplace, time spent on representative duties, means of communication with employees, incidence of negotiation and consultation over pay and other matters, involvement in redundancies, discipline and grievance matters, incidence of collective disputes and industrial action, relations with managers, union recruitment. The Cross-Section questionnaire for employees contains questions on: working hours, job influence, job satisfaction, working arrangements, training and skills, information and consultation, employee representation and payment.

4.2 Statistic Tool

Microsoft word is a full-featured statistical programming language for Windows, Mac OS 10, windows. In this study, will be used as a statistic tool. Microsoft word is a powerful tool for analyzing data. Microsoft word can make statistics and data analysis fun because it does so much of the tedious work for user. Microsoft word is a command-driven program that operates in a graphical (windowed) environment.v has three major advantages: data manipulation, statistics, and graphics.Microsoft word is an excellent tool for data manipulation: moving data from external sources into the program, cleaning it up, generating new variables, generating summary data sets, merging data sets and checking for merge errors, collapsing cross–section time-series data on either of its dimensions, reshaping data sets from 'long' to 'wide', and so on. In this context, Microsoft word is an excellent program for answering questions about any aspect of the data. In terms of statistics, Microsoft word provides all of the standard multivariate statistical tools, from descriptive statistics and , regression, principal components.

4.3 Validity and Reliability

The term validity refers to the approximate truth of an inference. When we say something is valid, we make a judgment about the extent to which relevant evidence supports that inference as being true or correct. It is important to concern the subjective and objective measures included issues about HRM, industrial relations and personnel economics, there are still two issues needed to be questioned. Firstly, there is an issue of whether the data collected are able to capture the complexity and diversity of human resource management practices and industrial relations at the workplace; the other one is whether the measures of performance that are typically tused are accurate indicators of actual performance. On the other hand, there is a possible error that respondents remember figures incorrectly, guessing, or confusing the accounting period of interest with an earlier or later one. Statistical conclusion validity concerns two related statistical inferences that affect the co-variation component of causal inferences: whether the presumed cause and effect co-vary and how strongly they co-vary . In this study, the amount of dependent variables from limited. Therefore, the measurement of employee performance is not adequate. Moreover, this concludes two parts of questionnaire: management questionnaire and worker representative questionnaire. However, in this study, I only choose the management questionnaire which contains variables I needed to use in statistical test. Therefore, these answers are realized as the perspective from managers instead of employee. also suggest the threats to

external validity refer to the reasons why inferences about how study results would hold over variations in persons, settings, treatments and outcomes may be incorrect. In this study, is the questionnaire from United Kingdom, therefore, the analysis result and conclusion may not suitable when research in other places and other people in different nationalities.

4.4 Variables

In this study, many variables were identified from literature review. These variables will be categorized into planning performance, managing performance, and rewarding performance.

4.4.1 Independent variables

In this study, the independent variables are the activities in performance management system. The Table4.1 is the conclusion of independent variables from literature review and also the established relationship of these independent variables with employee performance.

Table 4.1 Independent variables from literature

Phases:	Independent variables
Planning:	Setting objectives
Managing:	Continuous Communication
	Performance review/feedback
	Coaching
Rewarding:	Personnel development
	Evaluation
	Pay-for-performance

Table4.2 is the independent variables from WERS 2004. In this study, the aim is to test the relationship between performance management system and employee performance. Therefore, it needs to analysis and test the independent variables from literature review based. So, in the statistical analysis process, it is possible to figure out whether the relationship between independent and dependent variables is the same as what literature described or not. According to literature review, the statistic variables will be figured out based on the conclusion of independent variables. See Table 4.2. Through the reading, there are some questions related to the study topic. In the table, measurement level, suitable statistic methods and the selecting reasons would be described.

4.4.2   Dependent variables

In a research, the dependent variable is the employee performance. From literature review, employee performance could be measured labor productivity. However, from , employee performance could be measured by next three requirements: labor productivity.

4.4.3   Control variables

A control variable is a variable that is held constant or whose impact is removed in order to analyze the relationship between other variables without interference. Control variable should not be confused with controlled variable, which is an alternative term for independent variable. In this study, the result of questionnaire would be impact by different industries and different gender of respondents. On the other hand, the technology innovation also could impact on labor productivity. Therefore, there are four control variables selected from

4.5 The data analysis structure

In this study, the aim is to analysis the impact of performance management system on employee performance, so factor analysis, descriptive statistic, Kruskal-Wallis test and oreder logit regression will be used as statistical tool. Moreover, determining which test to use should depend on the nature of different variables. the nominal variable is a variable whose attributes have only the characteristics of exhaustiveness and mutual exclusiveness. The ordinal data is where the data is rank-order, interval data/ratio data are rank-ordered and have equal distances between adjacent attributes, and nominal data is a categorical answer.

4.5.1   Factor analysis

Firstly, the factor analysis will be used to test if the related independent variables could be analysis in one factor. Factor analysis is an analytic method of discovering the general dimensions represented by a collection of actual variables. These general dimensions, or factors are calculated hypothetical dimensions that are not perfectly represented by any of the empirical variables under study but are highly associated with groups of empirical variables. Therefore, the data can be reduced through using this method. In this study, the dependent variables will be used to predict related activities, for instance, setting objectives, or reduced if the variables are not perfectly representing activities in performance management system.

4.5.2   Descriptive statistics

Descriptive statistics describe either the characteristics of a sample or the relationship among variables in a sample. Descriptive statistics merely summarize a set of sample observations, whereas inferential statistics move beyond the description of specific observations to make inferences about the larger population from which the sample observations were drawn. Descriptive statistics is the discipline of quantitatively describing the main features of a collection of data. In this study, descriptive statistics would be used for describe the characteristics of selected variables.

4.5.3   Ordered logit regression

Finally, ordered logit regression would be used to test the impact of activities in performance management system on employee performance. When a dependent variable has more than two categories and the values of each category have a meaningful sequential order where a value is indeed 'higher' than the previous one, then you can use ordinal logit. In this master thesis, the dependent variable is a categorized variable and has more than three categories; therefore, ordered logit regression would be used.

To conclude, in this chapter the research methodology and approach were outlined. The statistical test and data are realized in this chapter. The following chapter will focus on the presentation of the research findings from the…

Sampling design

To design a sampling plan for studying the impact of a performance management system (PMS) on employee performance, several key components need consideration:

1. **Target Population**: The target population consists of employees working across various industries and organizational sizes, where performance management systems are implemented. This includes both white-collar and blue-collar workers, spanning different job roles and hierarchical levels.

2. **Sampling Frame**: The sampling frame will be constructed from databases of companies, industry associations, or government records, listing organizations known to have a performance management system in place. This frame should be regularly updated to ensure it accurately represents the target population.

3. **Sample Units**: Individual employees within selected organizations will serve as sample units. It's essential to include a diverse range of employees to capture various perspectives and experiences with the performance management system, including frontline staff, middle management, and executives.

4. **Methods for Selecting Sample Units**: Several sampling methods can be utilized:
   - Random Sampling: Selecting employees randomly from the sampling frame to ensure each member of the population has an equal chance of being included.
   - Stratified Sampling: Dividing the population into homogeneous groups (e.g., departments, job levels) and randomly selecting samples from each stratum to ensure representation from various segments.
   - Cluster Sampling: Randomly selecting clusters of employees (e.g., departments, teams) and including all members within the selected clusters in the sample. The choice of method will depend on factors such as resource availability, population heterogeneity, and desired precision.

5. **Sample Size**: The sample was drawn from the population using random and cluster sampling technique. The sample size for the research was kept at 5 as a group. Determining the sample size requires consideration of factors such as desired confidence level, margin of error, and population variability

6. **Response Rate**: Achieving a high response rate is crucial for the study's validity. Strategies to maximize response rates include:
   - Clear Communication: Clearly communicate the study's purpose, importance, and how the data will be used to encourage participation.
   - Incentives: Offer incentives such as gift cards or vouchers to motivate participation.
   - Follow-Up: Send reminders and follow-up communications to non-respondents to encourage their participation.
   - Accessibility: Ensure the survey or data collection method is easily accessible and user-friendly.
   - Confidentiality: Assure respondents of the confidentiality of their responses to encourage honest feedback.

Fieldwork

Fieldwork was conducted through a combination of methods including surveys, interviews, and observation, depending on the nature of the study and the preferences of the participants. Surveys were administered electronically or in-person, while interviews were conducted face-to-face or via video conferencing. Observational data was gathered by observing employee behavior and performance in the workplace.

The fieldwork took place within the premises of the participating organizations, ensuring that the data collection process was conducted in the actual work environment where the impact of the performance management system is experienced firsthand. This approach helped to capture real-time insights and experiences of employees regarding the performance management system.

1. **Pretesting Phase**: Before the main data collection phase, a pretesting phase was conducted to evaluate the effectiveness of the questionnaire and identify any potential issues or ambiguities. The pretesting phase involved the following steps:
   - **Questionnaire Development**: A draft questionnaire was developed based on existing literature and research objectives. The questionnaire included items related to employee perceptions of the performance management system, its effectiveness, impact on motivation and job satisfaction, and suggestions for improvement.
   - **Pilot Testing**: The draft questionnaire was administered to a small group of individuals representing the target population. This pilot testing phase helped to identify any confusing or unclear questions, as well as gauge the overall length and comprehensibility of the questionnaire.
   - **Feedback Collection**: Participants were encouraged to provide feedback on the questionnaire, including any difficulties they encountered, suggestions for improvement, and areas that required clarification. Open-ended questions were included to allow participants to provide detailed feedback.
   - **Questionnaire Revision**: Based on the feedback received during the pilot testing phase, revisions were made to the questionnaire to address any identified issues. This included rephrasing ambiguous questions, eliminating redundant items, and adding clarifications where necessary.
   - **Finalization**: The revised questionnaire was finalized based on the feedback received and prepared for use in the main study.

5. Discussion and limitation

The purpose of this study is to examine the relationship between performance management system and employee performance. Rather than examining specific human resource manage policies and practices, this study focuses only on performance management system which is a model of performance management and its relationship with employee performance. Generally speaking, the results are quite mixed, however it is positive and insignificant. Performance management system consists of three stages: developing and planning performance, managing and reviewing performance, and rewarding performance. In the first stage, developing and planning performance which includes setting mission and objectives influences employee performance insignificantly and but positively . However, in the literature review, I concluded that setting

mission and objectives in planning performance stage could impact positively on employee performance. There could be several reasons for the difference between theory and practical data analysis. First of all, the data analysis of this study is secondary data analysis. For example, the main objective of the researchers is various from research objective of this research. Therefore, the content of questions would not be focused on objective of this study which is examining the relationship between objectives and employee performance. Then, the questions which were used to represent setting objectives in quite little. Therefore, the variables are quite limited for me to choose, which would result in decreasing the statistic power in the data analysis. Besides the nature of data, objective itself also could affect the result. If the target which was built by an organization is higher than the company could expect, it would pressure the staffs because they are not able to do such tough work. On the other hand, if the objectives cannot indicate the ability and productivity of an organization, then the motivation of employee will be decreased. I could say that setting objectives is a way to meet the expectation of employees and employees could compare the motivation of themselves with the objectives of the company. To conclude, planning performance influences employee performance positively from theoretical perspective; in practical data analysis perspective, the objectives have a negative effect on employee performance.

In the second stage—managing performance, coaching and communication has significant and positive relationship with employee performance. From the literature review and data analysis, I could conclude that the discussions and interactions between employees and employee could increase job satisfaction and employee performance and finally result in organizational success. Also from the results of data analysis, Phase2—managing and reviewing performance—has a compared significant relationship with employee performance when compared together with Phase1 and Phase3. Therefore, managers could pay more attention on these activities to gain better employee performance. During the discussion, staffs in an organization could know what the state they are in and what the problems they face, or give the management suggestions to leaders and so on, then finally affect the performance of employees and organizations. In my view, continuous communication is a good way to solve some problems, even conflicts and exchange idea, knowledge also between staffs in organization. On the other hand, coaching and seeking feedback impact employee performance negatively according to the data analysis results. It is opposite to the conclusion of literature review. Again, the dataset could be a reason for this result, there is no accurate variable to represent coaching, therefore I only could pick a related variable to predict coaching activity. But I still think that coaching could improve people's skills and knowledge which could create higher labor productivity. Especially in some high-tech industries, updating the knowledge and skills for employee is fairly useful and meaningful. Higher knowledge and skill level of employee could be treated as a competitive asset for an organization. The evaluation or checking feedback in this stage still plays an important role for increasing employee performance. In addition to this, seeking feedback has a negative but insignificant relationship with employee performance. The variable for seeking feedback is not quite suitable because there are only three questions related to seeking feedback activity in . However, from my view, feedback is effective in changing employee work behavior and enhances employee job satisfaction and performance, also from theoretical perspective. Seeking feedback is kind of reviews and learning activity which could compare actual performance and desired performance, in this way, employees could be encouraged to think about what kind of work they did good, then, they could recognize how and in which ways they can use for developing. Moreover, feedbacks also help employee to stipulate themselves and control the working processes. In my opinion, more coaching time and different contents in the training activity, like computer skills and communication skills, also improve the productivity of employee. Indeed, training activity is indispensable in a company. It related to improve employee efficiency and effectiveness, and finally impact on the organizational performance.

In the last stage---rewarding performance, the main activities are personnel development, providing evaluation of employees' performance and paying for performance. From data analysis, personnel development activity has a significant but negative relationship with employee performance. I think employees in an organization should recognize the objectives of organization and themselves. Then, organization should provide the opportunities for employee development. Firstly, organization needs to encourage employees to improve their knowledge or skills. Secondly, organization should promote employee if they have outstanding performance. In this way, employees can be motivated to do a better job and then contribute to employee performance. The evaluation in this stage, it focus on the effectiveness of the whole process and its contribution to overall organizational performance to allow changes and improvements to be made, and also provides the feedback to the organization and to individual staff about their actual performance. Moreover, the evaluation plays a key role in motivating people to utilize their abilities in pursuing the organization's objectives. Even though the relationship is not significant from data analysis result, the impact however is positive. Pay-for-performance is a useful financial appraisal tool to stimulate employee's passion for their work. From theoretical view, the effectiveness of pay-for-performance has a direct influence on desirable work attitudes of employee. Pay-for-performance sets up the behavioral criteria by which rewards are allocated and also making employee behavior fitting with organizational values and objectives. From many literatures demonstrated that the evaluation and pay-for-performance could positively influence employee performance, the data analysis showed a different conclusion. In my view, in the payment system, the criteria of financial appraisal could not be too high to achieve, therefore motivation and passion of employee would be reduced. As well, accompanying with reduced motivation and passion of employee, the job satisfaction and expectation would be decreased. Payment should act as stimulation for employees and it should be proper to the organization performance and working performance of employee. If the payment is below the employee performance, the motivation and passion of employee would be reduced. Therefore, the productivity will be reduced. Meanwhile, when the payment is higher than the payment level of employee performance, employee would be inflated because the same work gains more in this company than payment in the others. It would decrease the efficiency and effectiveness of employee, therefore negatively impact on labor productivity. From the data analysis indicated that evaluation and payment activities generally impact positively on employee productivity when compared with control variables. Therefore, the effect of evaluation and payment activities could not be ignored. To conclude generally, the activities in rewarding performance stage in performance management system affect employee performance positively.

However, performance management system must fit with the organization's culture. Developing and planning performance management system should consider the employee ability, organizational asset and performance. The system should be suitable for the real ability and organization's situation. On the other hand, the three stages: developing and planning performance, managing and reviewing performance and rewarding performance should be coherent with each other when establishing and executing the system.

There are various limitations within this research study which must be considered. Limitations of the actual data which has been used must be considered. The dataset is extremely large and includes a number of industries. Then, the survey it is somewhat artificial, potentially superficial, and relatively inflexible. Using surveys to gain a full sense of social processes in their natural settings is difficult. For this study, the questions asked within the data my not accurately reflect what I intended. This is due to the shortcomings of secondary data analysis which is a form of research in which the data collected and processed by one researcher is reanalyzed--often for a different purpose--by another. Therefore, it is difficult to mirror the purposes of my research exactly. On the other hand, the variables were picked subjectively from by the

researcher of this research. The bias of researcher problem might be existed. For example, other researchers with the same topic with me might not pick variable to reflect personnel development in managing performance stage. Then, the result could be various.

In addition to these limitations, the data might now be out of date. As opinions change with the time, this might lead to various answers from interviewees. At the same time, the data was only collected within the United Kingdom which means that the findings of this questionnaire might not fit with other countries. Furthermore, some variables were not included in the data; therefore I could not do data analysis. For instance, I could not find a quite suitable variable from to predict feedback activity in managing performance stage, even though I picked one variable to predict feedback. Moreover, the was a computer aided personal interview which is a computer assisted data collection method for replacing paper-and-pen methods of survey data collection and usually conducted at the home or business of the respondent using a portable personal computer such as a notebook. Therefore, interviewer could not control what the interviewee was thinking and what the situation interviewee faced. Some problems would happen, for example, the interviewee perhaps had a misunderstanding of questions, and therefore, the answer could not fit what the researchers expected. In doing so, the validity and reliability of and this research will be influenced.

In some data analysis may not be an accurate reflection of the data. The statistics power in this study is not such strong. This may result in questioning if the result reflects the correct relationship between performance management and employee performance. Also, in some questions, there was an option 'other' could include the answers which could not be included in that question.

6. Conclusion

As the increase of concentration on administrative management during these years, HRM plays a more important role in managing an organization, such as the effects of HRM on innovation, 'new way of working principle' for working relations. Performance management system, as a field of study, is a popular topic in HRM over time. It is important for a company to plan, manage and reward the performance. In doing so, company's productivity would be developed and profit would be increased as well through supervising the whole process of performance management, such as building objectives, checking feedback and evaluating performance. On the other hand, employees are the resources and assets of an organization. Organizations need to figure out strategies for identifying, encouraging, measuring, evaluating, improving and rewarding employees' performance at work. Consequently, improved employee performance could also influence organizational performance. Therefore, this thesis aimed at knowing how performance management system influences employee performance. And how could the different stages in performance management system influence employee performance respectively? The first objective is to review the relevant literature about performance management system and employee performance, also the relationship between them. The second objective is to analysis performance management system indicators and their link to employee performance based on the dataset. The last objective is to find out the nature of the relationship between performance management system and employee performance, and to make a conclusion, also to develop a set of recommendations.

This master thesis presented the existing literature covering performance management, performance management system as well as employee performance, the measurement models of employee performance, as well as the empirical studies examining the relationship between performance management system and employee performance. From the literature review, there are three stages in performance management system. Firstly, it is the developing and planning stage which helps to encourage commitment and

understanding by linking the employees' work with the organization's goals and objectives. According to organization's mission and objectives, employees could understand their responsibility and also motivate employees to engage and involve with their jobs. The ordered logit regression data analysis based on dataset indicated that the relationship between planning and employee performance is positive but insignificant. In the second stage, there are several activities included, such as coaching, communication and seeking feedback. Coaching aims at empowerment, development and qualifying employees through knowledge and skills. Enhancing communication within the organization makes employees who are not only aware of the objectives and the business plan but can contribute to their formulation. As well as effective feedback has the potential to enhance employee engagement, motivation, and job satisfaction. The last stage is rewarding performance which consists of personnel development, evaluation and payment. An effective personnel performance evaluation system provides the feedback needed for most of the required administrative decisions, and motivate people to utilize their abilities in pursuing the organization's goals. Financial appraisal is also a useful tool to incent employee's passion for their work.

In the literature, labor productivity is the measurement of employee performance. That is quite needed when I analysis how performance management activities influence employee performance. To conclude, combining the literature review, prior research and ordered logit regression analysis results, there is a compared insignificant relationship between performance management system and employee performance. In addition, this study reveals that not all activities in performance management system influence employee performance positively. Therefore, managers and employees need to aware that the performance management activities need to be revised when they find employees is depression or unsatisfied. Furthermore, when the managers or professions set up objectives, they should consider the culture of the organization, the knowledge and skills of employees and other problems. As a result, the objectives could be more achievable and motivating employee better. Then, managers or professions need to create a comprehensive model for financial appraisal to asses employees fairly and consequently to motivate better employee performance. It is obviously that performance management is useful and meaningful for an organization to improve employee and organizational performance.

Consequently, this study adds to more empirical evidence that supports the opinion about the relationship between performance management system and employee performance. However, regarding the various limitation of this study, there is a need for further research in the area of performance management system and employee performance.

Considering these limitations of this study, it could derive several recommendations for further research on the relationship between performance management system and employee performance. First of all, it has to be noted that further primary data collection method to collect raw data is needed. Therefore, researchers could build questions' contents and types according their research objectives. So, the feedbacks and answers from interviewees would be better reflecting the truth of relationship. Then, is a cross sectional study which means a class of research methods that involve observation of all of a population, or a representative subset, at one specific point in time. In the future study of relationship between performance management and employee performance could use longitudinal research. In fact, longitudinal research allows the analysis of the possibility of lagged effects in the relationship between performance management system on employee performance. Moreover, longitudinal analysis can help to determine possible reverse causation in the relationship. Therefore, researchers could understand the nature of relationship between performance management system and employee performance through the repeated research over time.

Moreover, future studies could focus on across national boarder research. This study is limited to the United Kingdom and the results might not suitable to be analyzed in other countries. In fact, the different country has its own special working situation, so if future study collects data from multiple nations, the empirical results would be various as well. However, it could be difficult to find a dataset that conclude cross national data.

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