An Empirical Attestation of the Impact of Performance Management System on Employee Involvement Moderated By Employee Acceptance of Performance Management System

Tessla Arakal¹, Dr. Sebastian Rupert Mampilly ²

¹(Asst Professor, KVM College of Engineering & Information Technology, Cherthala, Kerala, India)
²(Professor, School of Management Studies, Cochin University of Science & Technology, Kerala, India)

Abstract: The phenomenon of performance management, a process which accords to the competent management of individuals and teams in order to attain immense levels of organizational performance, holds a significant place in management literature. A performance management system is a set of interrelated activities and processes that are treated holistically as an interspersed element of an organization’s path to managing performance to achieve the organizational objectives. This paper attempts to foresee the impact of performance management system on employee involvement, which is moderated by employee acceptance. Employee involvement relates to the level of participation by members in an organization’s decision-making process. Employee Acceptance connotes the acceptance of performance management system implemented by the employees. It is envisaged that this study based on primary data collected from 192 scientists working in nationalized Research and Development organizations in Kerala and carried out during the time period of October 2015 to December 2015, will add to our understanding of the link between performance management system and employee involvement, which is moderated by employee acceptance. Partial Least Squares (PLS) was used to authorize the relationship among the variables and the findings of the study are conferred, together with limitations and suggestions for future research.

Keywords: Performance Management System, Employee Involvement, Employee Acceptance, Scientists

I. Introduction

Are current systems of performance management failing to demonstrate good outcomes? This paper contends the idea of illuminating the functional outcomes of performance management which is one of the imperative functions of human resource management. Performance management is a crucial activity as it upsurges performance driven behaviour and consequently the results of the organisation (Waal & Medema, 2006). Michael Armstrong & Angela Baron, (2004) opine that performance management is a process which contributes to the effective management of individuals and teams in order to accomplish high levels of organisational performance. Literature recognises ‘performance’ both as behaviour and results. (Brumbarch, 1998). Cones & Jenkins (2002) are of the view that, individual performance is mostly resolved by the system in which the work is done rather than by the individual’s initiative, abilities and efforts. Performance management is the process through which managers assure that employee’s activities and outputs contribute to organisational goals (Gomez& Mejia, 1999) and is illustrated as a data guided approach to managing work behaviour (Daniel & Rosen, 1984). In a nutshell performance management is a means of getting superior results from the organisation, teams and individuals by managing performance in consonance with organisational strategy.

The second concept delineated through this study is employee involvement, which visualizes every employee as an exclusive human being, not just a cog in a machine, and being involved in aiding the organization meet its goals. Each employee’s input is solicited and valued by management. Employees and management recognize that each employee is involved in running the business. (Iou, January 2000). The third concept discussed in this paper is about employee acceptance of performance management system. Employee acceptance is a critical factor in the development of an effective performance management system. Employee’s attitude influence their behaviour, therefore employee acceptance is vital for a well-functioning performance management system. Empirical in approach, this paper sheds light on the concepts like performance management system, employee involvement, the linkages between performance management system and employee involvement, the moderating influence of employee acceptance in the relationship between performance management system and employee involvement.

II. Literature Review

II.1 Performance Management

Tracing the ancestry of performance management, one may arrive at concepts like merit rating, management by objectives and performance appraisal. W D Scott (1950) was the American pioneer who...
introduced rating of the abilities of workers in industry prior to the First World War. The term ‘management by objectives’ was first coined by Peter Drucker (1955) as follows: What the business enterprise needs is a principle of management that will give full scope to individual strength and responsibility and at the same time give common direction of vision and effort, establish teamwork and harmonise the goals of the individual with the common weal. The only principle that can do this is management by objectives and self-control. As defined by the Advisory, Conciliation and Arbitration Service (ACAS) in 1988: ‘Appraisals regularly record an assessment of an employee’s performance, potential and development needs. The appraisal is an opportunity to take an overall view of work content, loads and volume, to look back at what has been achieved during the reporting period and agree on performance objectives for the next’. (Armstrong, 2010)

The earliest reference to performance management in the literature was made by Warren (1972). On the basis of his research in a manufacturing company he defined the features of performance management as follows: expectations, skill, feedback, resources and reinforcement. Beer and Ruh (1976) were of the opinion that performance is best developed through practical challenges and experiences on the job with guidance and feedback from superiors. One of the first books devoted exclusively for performance management was published by Plachy & Plachy (1988). Performance management is communication: a manager and an employee arrive together at an understanding of what work is to be accomplished, how it will be accomplished, how work is progressing toward desired results, and finally after effort is expended to accomplish the work, whether performance has achieved the agreed upon plan. (Plachy & Plachy, 1988). In the UK the first published reference to performance management was made at a meeting of the Compensation Forum in 1987 by Don Beattie, Personnel Director, ICL, who described how it was used as ‘ an essential contribution to a massive and urgent change programme in the organisation’ and had become a part of the fabric of the business.(Armstrong, 2010)

By 1990 Performance management had entered the vocabulary of human resource management in the UK as well as in the United States. Full recognition of the existence of performance management was provided by the research project conducted by the Institute of Personnel management (1992). The following definition of performance management was produced as a result of this research: ‘ A strategy that relates to every activity of the organisation set in the context of its human resource policies, culture, style and communications systems. The nature of the strategy depends on the organisational context and can vary from organisation to organisation’. (Armstrong, 2010)

The 1998 IPD research project (Armstrong and Baron, 1998) revealed that in many instances performance management practices had moved on since 1992. Performance management is regarded as a number of intertwined processes. Seen as an unceasing process and not as a once a year appraisal, its spotlight was on employee development rather than on performance related pay. There has been a shift towards getting line managers to accept and own performance management as a natural process of management. The recognition that performance management had to focus on organisational as well as individual effectiveness, is its ensuing stage of development. As Coens and Jenkins (2002) says: ‘An organisation, because it is a system, cannot be significantly improved by focusing on individuals.’ The shift now is aligning both organisational and individual performance. Latham, Sulsky and Macdonald (2007) commented that ‘a distinguishing feature of performance management relative to performance appraisal is that the former is an on-going process whereas the latter is done at discrete time intervals.’ Performance management can be viewed as a natural function of managing that involves the activities of planning, monitoring, analysing and reviewing. It is therefore legitimate to refer to the process of performance management where ‘process’ is defined as a way of doing things in order to achieve a purpose.

II.2 Performance Management System

There are those who object to associating the word ‘system’ with performance management because of its connotations with the notion of a sort of mechanism. The debate may continue, but the term ‘performance management system’ is in universal use. Williams (1998) took a systems view when he identified three models of performance management: 1) performance management as a system for individual performance 2) performance management as a system for managing organisational performance and 3) performance management as a system for managing individual and organisational performance. A performance management system is a set of interrelated activities and processes that are treated holistically as an integrated and key component of an organisation’s approach to managing performance through people and developing the skills and capabilities of its human capital, thus augmenting organisational capability and the achievement of sustained competitive advantage (Armstrong, 2012). A performance management system caters diversified benefits to organisations and empowers organizations to plan, measure and control their performance, so that decisions, resources and activities can be better aligned with strategies to accomplish coveted results (Bento and Bento, 2006). There is evidence that an effective performance management system can lead to enhanced
organizational performance (Bevan and Thompson, 1991) and contribute to other imperative outcomes such as improved employee involvement, commitment and motivation (Taylor and Pierce, 1999).

Other highly valued aspects of the concept are: A performance management system is “a system that covers all aspects of performance that are relevant for the existence of an organization as a whole”. The performance management system should provide management with an insight into “how well the organization is performing its tasks and to what extent the organizational objectives are achieved” (Flapper et al., 1996). This can involve motivating, monitoring, controlling, and rewarding employees for attaining desired outcomes (Lawler, 2003). It contributes to aligning the interests of employees and management by providing a clear indication of the strategic direction of the organization (Becker et al., 2011). Performance management systems are a means of executing organizational strategy by signaling to employees what is really imperative in the organization, fixing accountability for behavior and results, and helping to improve performance (Biron et al., 2011; Bae, 2006). Thus the concept of performance management system is indispensable and has abounding benefits. (Kevin Baird H.S, 2012)

II.3 Employee Involvement

Employee involvement means involvement of employees in their business related enhancement activities, processes and cross functional activities. (Holt, Assessment of organisational involvement in implementing empowerment, 2002). A deeper and richer understanding of job involvement is provided by Kanungu (1982) specifying that job involvement is the individual’s level of psychological identification with the specific job in which he or she is engaged. There are two types of involvement: job involvement and employee involvement. Job involvement is a specific belief regarding one’s relationship to one’s present job. (Bussing, 2002).

Lawler (1991, 1994) sees involvement as commensurate to participation and distinguishes four elements – power, information, knowledge and rewards. Other writers include influence sharing, participative decision making, the degree of employee involvement, empowerment, participation, consultation and other terms (Black and Gregersen, 1997; Glew et al., 1995; cf. Wagner, 1994; Cotton et al., 1988).

In the opinion of Denison (2007), involvement refers to the level of participation by members in an organization’s decision-making process. It also means the sense of responsibility and commitment thereby engendered (Denison, 2007). Involvement entails building human capacity, ownership and responsibility. It is very crucial as it leads to united vision, values and purpose. Employee involvement is also termed participative management and it refers to the degree to which employees share information, knowledge, rewards and power throughout the organization (Randolph, 2000; Vroom and Jago, 1988).

Cai (2001) divided employee involvement into the five dimensions: “work concentration”, “work evaluation”, “work identification”, “work participation” and “fun from work”. Alternatively, Yang et al (2006) divided employee involvement into four dimensions, consisting of “fun in work”, “work evaluation”, “work identification”, and “work concentration”. Employee involvement can be construed as the direct participation of the staff to help an organization fulfill its mission and meet its objectives by applying their own ideas, expertise and efforts towards solving problems and making decisions. (Robert Bullock, 2010).

Astonishing views uncovered by the review include: Employee involvement can take on a number of varieties, such as: (1) downward communications, including employee involvement practices such as a house journal/company newspaper, employee report and regular briefing session, (2) upward problem solving, such as suggestions schemes, attitude surveys, quality circles, and total quality/customer care programs, (3) financial employee involvement, including profit sharing, employee share ownership, and value added or establishment-wide bonus arrangements, and (4) representative participation, such as joint consultative committees/advisory councils and collective bargaining (Marchington et al, 1992).

Employee involvement is a process designed to empower members of an organization to make decisions and to solve problems appropriate to their level in the organization (Pace, 1989). The logic of employee involvement is that the people closest to a problem or opportunity are in the best position to make decisions for improvement if they have control of the improvement process. (Honguyi Sun, 2000)

II.4 Employee Acceptance

Employee acceptance is a critical factor in the development of an effective performance management system. Employee’s attitude influence their behaviour, therefore employee acceptance is vital for a well-functioning Performance management system.

Managers should give priority to the performance appraisal acceptance of the employees. Carrol&Schiener opined that, performance appraisal system acceptance is modified when the performance appraisal system is perceived to be accurate, the performance appraisal system is administered fairly, the appraisal system is congruent with the employees personal goals and values and when the appraisal process does...
not exceed the psychological contract between the rater and the ratee. (Roberts, Winter 1994). Since performance appraisal falls into the part of performance management system, the researcher suggests that this can be applied to performance management system also. All the above mentioned arguments can be incorporated into performance management system; a) PMS perceived to be accurate b) There is rater-ratee congruence c) The PMS is administered fairly and d) The PMS is congruent with the employees personal goals and values and we can assume that there is acceptance of the performance management system.

In terms of expectancy theory, a lack of acceptance will skeptically influence employee perceptions. Hence the researcher proposes that employee acceptance of performance management system is imperative for the performance management system to result in employee involvement. (Roberts, Winter 1994). One of the primary issues in performance management is communication. (Obisi, December 2011). Effective Communication is a way of gaining employee acceptance. When the performance management system is implemented, measures are to be taken to communicate about what the process is and what to be expected from the employees. When the employees are clear about the performance management system, they develop acceptance towards the performance management system. Therefore organisations must strive towards establishing employee acceptance of the performance management system. Whenever a contemporary policy is introduced in the organization, there will be employees who try to resist such organizational interventions. It is the responsibility of the managers to boost employee acceptance of whatever they introduce in the company. When employees accept the system that is introduced, it would be accessible for the managers to reap the expected benefits from the novel concept that is realized. Here lies the significance of developing approaches through which the employee acceptance can be augmented.

**Linkages between Performance Management System and Employee Involvement**

Involvement is more than just the exchange of information. It is the gradual but radical delegation of control to those closest to the process itself. Self-managed teams, cell-based manufacture, autonomous workgroups, high performance work systems, are all examples of true involvement (apostolou, January 2000). Since high performance work systems are part of performance management system, effective functioning of performance management system implies employee involvement.

Teamwork, recognition, process improvement and measurement are predominantly controlled by operational level employees. All levels of employees have involvement. (Holt, I, Jawahar Nesan, Gary D, 2002). As measurement and recognition are components of performance management system; performance management system may lead to establish the imperativeness of employee involvement.

In order to implement employee involvement and empowerment to an enterprise the following key actions need to take place 1) Giving employee the responsibility 2) Training employee to accept responsibility 3) Communicating and giving feedback 4) Giving rewards and recognition (apostolou, January 2000). Giving rewards and recognition, as a part of performance management system, seems to have a bearing on employee involvement. For achieving higher levels of job involvement, one method is to offer support for employees and the second method is to provide employees with salient rewards. (Michael P. O’Driscoll, 1999). This implies that a good performance management system is germane to employee involvement.

It seems plausible that effective employee involvement systems require relatively sophisticated human resources capacity. Human resource capacity is reflected in more employee-centered systems of supervision, greater use of teamwork, stronger systems of performance assessment, opportunities for career advancement and reward systems that reflect collective performance. (Eurofound, 2013).

This highlights that performance management system can lead to employee involvement. In one of the studies, it has been depicted that 360 degree feedback can promote increased involvement of people at all levels of the organization. (Diane Bailey, April 2002). As 360 degree feedback is a part of the performance management system, this study contributes to the association between performance management system and employee involvement.

There is evidence that a competent performance management system can result in enhanced organizational performance (Bevan and Thompson, 1991) and contribute to other relevant outcomes such as improved employee involvement, commitment and motivation (Taylor and Pierce, 1999).

**Linkages between Performance Management System and Employee Acceptance and Employee Involvement**

Employee acceptance is a critical factor in the advancement of an effective performance management system. (Roberts, Winter 1994). The attitudes of performance management system participants play a decisive role in the triumph of performance management system. This implies that employee attitude in the form of employee acceptance is indispensable for the short term and long term success of performance management system. When there is employee acceptance of the performance management system, the advantages are that it will have a favourable influence on employee motivation and productivity and it reduces absenteeism and
retains good employees. (Roberts, Winter 1994). From this we can gauge a deeper and richer understanding that employee acceptance of performance management system can result in enhancing the employee involvement in organizations. Roberts (1994) comments that when employees are belligerent and deny the system, the raters will lack the motivation to effectively implement the performance appraisal system. This evidently portrays that when there is the absence of employee acceptance of the performance management system, it can end up in the failure of the performance management system.

Employee involvement is imperative for performance appraisal accuracy and employee attitudes plays a key role in the relationship between performance management system and employee involvement. Herein lies the role of employee acceptance. If the employees perceive the performance management system to be fair and accurate, they will accept the performance management system and it would result in increased employee involvement. Participation within the performance appraisal process increases employee appraisal satisfaction and increases levels of acceptance and trust. This implies that employee involvement increases the employee acceptance or rather employee acceptance moderates the relationship between performance management system and employee involvement. Feedback is one form of increasing employee involvement. When employees accept the PMS, they are not reluctant to give their feedback about the system implemented and their participation in the feedback process augments their involvement and this clearly exemplifies and indicates the crucial role played by employee acceptance of performance management system in increasing employee involvement. This clearly indicates that employee acceptance plays a crucial role in increasing employee involvement.

When employees accept the performance management system, a feeling that it is for their gain only, is instilled in them. Hence employees will not show defiance towards the goals of the company, rather it will develop in them a sense of belongingness to the company and thereby they will be enthusiastic in their work, their contributions towards their job would be more loyal. Their involvement in the job will be high and they display a greater sense of responsibility. In fact employee acceptance of performance management system can result in enhancing the employee involvement. This invariably entails that employee acceptance moderates the relationship between performance management system and employee involvement.

III. Objectives Of The Study
1. To analyze the relationship between performance management system and employee involvement.
2. To check whether employee acceptance moderates the relationship between performance management system and employee involvement.

Based on the discussion the following hypotheses were developed

Hypothesis 1: There is positive relationship between performance management system and employee involvement.

Hypothesis 2: Employee acceptance moderates the relationship between performance management system and employee involvement.

IV. Theoretical Framework

Figure 1 depicts the theoretical framework developed for the study

Figure 1 proposes the theoretical model of the study. The model suggests that there is direct relationship between performance management system and employee involvement and employee acceptance moderates the relationship between performance management system and employee involvement.
V. Methodology

V.1 Sampling
The data for the sample was collected from 192 scientists from four nationalized research and development organisations in central kerala, South India. Data was collected during the time span of October – December 2015.

V.2 Measurement and Instruments
The performance management system questionnaire was adopted from the SHRM/PDI Performance Management Survey 2000. Responses were rated on a five point Likert scale with anchors—(1) strongly disagree to (5) strongly agree. The employee acceptance scale was measured using the scale developed by Gary E. Roberts (2000). The responses were measured using a five point Likert scale ranging from strongly disagree (1) to strongly agree (5). The employee involvement was measured using the scale (Vandenberg et al., 1999). The responses were measured using a five point Likert scale ranging from strongly disagree (1) to strongly agree (5).

VI. Data Analysis
The Partial Least Squares (PLS), a multivariate statistical technique that allows comparison between multiple response variables and multiple explanatory variables, was adopted for analyzing the theoretical model in this study. PLS was first introduced by H. Wold (1975) under the name NIPALS (nonlinear iterative partial least squares), and it focuses on maximizing the variance of the dependent variables explained by the independent ones. (Michael Haenlein, 2004). This technique was designed to deal with multiple regression when data has small sample, missing values, or multicollinearity. (Pirouz, 2006) The goal of partial least squares is to predict Y from X and to describe the common structure underlying the two variables (Abdi, 2003). Partial least squares is a regression method allows for the identification of underlying factors, which are a linear combination of the explanatory variables or X (also known as latent variables) which best model the response or Y variables (Talbot, 1997).

Table 1: PLS Test Results

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<tr>
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<th>PMS</th>
<th>EI</th>
<th>EA</th>
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<tbody>
<tr>
<td>R-Squared Coefficients</td>
<td>0.619</td>
<td>0.672</td>
<td></td>
</tr>
<tr>
<td>Adjusted R-Squared Coefficients</td>
<td>0.62</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Composite reliability coefficients</td>
<td>0.922</td>
<td>0.979</td>
<td>0.857</td>
</tr>
<tr>
<td>Cronbach's alpha coefficients</td>
<td>0.906</td>
<td>0.977</td>
<td>0.774</td>
</tr>
<tr>
<td>Average variances extracted</td>
<td>0.52</td>
<td>0.593</td>
<td>0.584</td>
</tr>
<tr>
<td>Full collinearity VIFs</td>
<td>1.946</td>
<td>5.449</td>
<td>4.164</td>
</tr>
<tr>
<td>Q-squared coefficients</td>
<td>0.636</td>
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<td></td>
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Warp PLS software; the first SEM software which identifies non-linear relationship among latent variables and corrects the values of path coefficients accordingly, was used for this study. The individual item reliability is evaluated by examining the loading of the measures with the construct; all the indicator loadings in the study are higher than 0.7 and is acceptable (Hair et al., 2011). All the composite reliability indexes in the study are higher than the expected 0.7 (Hair et al., 2010). All the cronbach alpha measures in the study are greater than the expected 0.7 (Nunnally & Bernstein, 1991). Please refer to Table 4 for the PLS results. The primary evaluation criterion for the structural model is $R^2$ measures along with the level of significance of the path coefficients. $R^2$ reflects the share of the latent variables explained variances and it varies between 0 and 1. The larger the $R^2$ the larger is percentage of variance explained. In the study a 62% variance in Employee Involvement ($R^2 = 0.62$) is caused by performance management system.
Figure 2 showing the analysis of the theoretical model

Figure 2 shows that performance management system has a direct relationship to employee involvement which is moderated by employee acceptance. The direct relationship between performance management system and employee involvement as per the analysis was found to be β = 0.44 and significance level (p < .01). 62% variance in employee involvement is caused by performance management system. (R² = 0.62). It is vividly depicted in Figure 1 that employee acceptance moderates the relationship between performance management system and employee involvement with the β = 0.45 and significance level (p < .01).

VII. Discussions And Conclusion

The theme of performance management system is a matter of concern for organizations across the globe. Repeatedly, the literature suggests that performance management system is indispensable for the success of organizations. The paper investigates the relationship between the variables; performance management system, employee involvement and employee acceptance. This empirical study reiterates through its analysis and results that there is significant relationship between performance management system and employee involvement. The study provides a deeper and richer understanding in explaining the moderating relationship of employee acceptance in the relationship between performance management and employee involvement. Thus performance management system leads to employee involvement in organization and portrays that employee acceptance moderates the relationship between performance management system and employee involvement.

Despite the significant academic interest in performance management system and employee involvement and employee acceptance, there is a dearth of literature investigating the relationships of the three variables; performance management system, employee involvement and employee acceptance in the Indian context and beyond. This paper sheds light into the relationship among performance management system, employee involvement and employee acceptance in the Indian context. By creating a good performance management system, the organization can endeavor to elicit employee involvement. In addition, when there is employee acceptance of the performance management system it can enhance the relationship between performance management system and employee involvement.

References


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An Empirical Attestation Of The Impact Of Performance Management System On Employee Invo...


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