


Linking Performance Management Systems (PMS) With Organizational Development (OD)

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ABSTRACT

The relationship between human resource practices and organizational performance has been extensively researched throughout the year. Performance management has been recognized as the most important tool and critical component of HR practices for an organization. In literature, the outcome is blurring the relationship between the performance management system and organizational development. On this basis, this study is going to establish a relationship between the performance management system (PMS) and organizational development (OD) in the manufacturing sector in India. The data have been evaluated descriptive statistics, factors analysis, and regression through SPSS 22.0. The findings demonstrate that using PMS, such as ‘organizational vision and mission’, ‘employee participation’, and ‘pay for performance’ have a positive link with organizational development.

KEYWORDS

Employee Participation, Manufacturing Enterprises, Organizational Development, Organizational Vision and Mission, Pay for Performance, Performance Management System (PMS)

INTRODUCTION

No matter what the organization is, it has a performance management system. This system is projected to fulfil many important objectives regarding human capital management. Motivating people to perform effectively, assisting individuals in developing their skills, creating a performance culture in the organisation, determining which persons should be promoted to the best of their abilities, and dismissing those who are poor performers are all common aims.

Performance management is a vital tool of human resource practices that are provided for its employees by any organization. It is used to track the contribution of individual as well team also to achieve organizational objectives and identify individual strengths and potential for future improvements. In many organisations, the word ‘performance management’ has substituted the phrase ‘performance appraisal’. Different models and theories of performance management exist in

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the literature. Every stage in the process of PM is significant, which deals to manage team member as well as organizational performance and integrate with corporate strategy. The misunderstanding of performance management tools is, in some ways, one of the most significant and worrying sectors in human resource development and management. (Austin & Villanova, 1992; Pradhan & Jena, 2017; Tripathi et al., 2021). HRD practitioners create an efficient PMS that removes the negative effects and creates positive ones for individual and organizational performance (Mohrman et al., 1989; Buchner, 2007). Organizational efficiency, Organizational effectiveness and Organizational performance generally express by organizational performance (Delaney & Huselid, 1996; Chand & Katou, 2007; Collins, 2021). Increasing the efficiency of an organisation is a goal for all organisations. As a result, this research investigates the relationship between Performance Management Systems (PMS) and Organizational Development (OD) in India’s manufacturing sector.

LITERATURE REVIEW

Performance Management System (PMS)

In the early 1980s, the term performance management became popular because absolute PMS became extremely important to achieving quality performance (Murphy, 1991; Lewis & Lewis, 1996). Before designing a PMS, there needs to be an understanding of this concept. The following definition of PMS is provided by many authors from 1988 to 2020.

The analysis of the definitions (see Table 1) extracted shows the complexity of the subject and provides different perspectives on these concepts. The analysis also integrates various perspectives and inputs provided by the various disciplines covered, describing performance management in the organization as an interactive closed-loop process aimed at managing and improving individual and organizational performance. Performance management system starts with objectives and its process begins with the development of vision and mission at the team and individual level in the organization.

Table 1. Definitions of Performance Management System (PMS) (1988-2020)

Authors	Definition
Armstrong & Baron, (1988)	“Performance management is considered to be a strategic approach, which is an integrated approach for organizations to deliver successful results by developing the abilities of individuals with performance improvement.”
Poon, (2004)	“It is considered as a continuous communication process that is carried out throughout the year between supervisors and employees for their performance.”
Chang Lee et al., (2005)	“PMS for the organization needs to be designed to generate information and data exchange so that the individuals involved understand and discuss it and dissect the performance and agree on its character and quality. “. ”
De-Waal and Covert, (2007)	“PMS is impossible to be effective if the focus is not given to performance-driven behaviour rigorously and managers acting as role models”
Ferreira & Otley, (2009)	It includes formal processes/systems/networks that are used by organizations to express and accomplish key objectives and goals, planning, measurement, control, and rewarding.
Rao (2016)	PM can be defined as “the elements of all that support the continuous improvement in the performance of each team member about their role, in terms of the short and long term goals of an organization.
Kumar, (2019)	“Compressive set of performance management practices that impact organizational effectiveness, including organization vision & mission and goal setting measures in an organization.”
Pagdonsolan et al., 2020	“Performance management is a vital human resource process in every Organization as it ensures that employee performance is aligned with the organization’s goals and objectives.”

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