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Examine Performance Management System Characteristics in Commercial Bank: An Exploratory Analysis

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Abstract: *The study presents an integrative model for examine performance management system characteristics in Commercial Bank of India. We examined result – oriented , development – oriented, administrative purposes, task performance, contextual performance, coaching, goal setting, recognition, feedback, identification of training needs, career planning, goal alignment, Reward System and participative decision making characteristics of performance management system. Offline survey was conducted with 465 Commercial Bank employees; valid data were assessed and analyzed through correlation matrix, communalities, and total variance explained. Results demonstrate the six most important predictors were Result Oriented, Coaching, Recognition, Feedback, Participative decision making and Reward System. The study has practical implications, human resources managers and employers can ensure organisational performance, by taking an initiative to set proper policy and maintain the performance management systems by regulation.*

Keywords: *Performance Management System, Career Planning, Goal Setting, Task Performance, Commercial Bank Industry.*

1. Introduction

Performance management is a critical aspect of organizational effectiveness [ ]. Because it is the key process through which work is accomplished, it is considered the "Achilles Heel" of managing human capital (Pulakos, 2009)[ ] and should therefore be a top priority of managers (Lawler, 2008)[ ]. However, less than a third of employees believe that their company's performance management process assists them in improving their performance, and performance management regularly ranks among the lowest topics in employee satisfaction surveys (Pulakos, 2009)

Virtually every organization has a performance management system that is expected to accomplish a number of important objectives with respect to human capital management. 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. There is little doubt that a performance management system which can accomplish these objectives can make a very positive contribution to organizational effectiveness, but there is less clarity about what practices make a performance management system effective. There are a

large number of design features that potentially can influence the effectiveness of a performance management system, and many of these have been empirically studied to determine their impact. For example, there is considerable research which shows that performance management effectiveness increases when there is ongoing feedback, behavior-based measures are used and preset goals and trained raters are employed Performance management systems have been found to contribute to the overall effectiveness of organizations in that they lead to beneficial outcomes at the employee and organizational level (den Hartog, Boselie, & Paauew, 2004. Namely, performancemanagement systems motivate performance, facilitate employee development, help organizations make administrative human resources decisions (e.g. promotion, terminations), and support the overall business strategy (Lawler, 2003). Furthermore, organizations that manage their employees' performance outperform other organizations that do not manage their employees' performance on various measures, including finances and productivity (Armstrong, 2000). In order for organizations to actualize these desirable outcomes, it is essential to know which characteristics of a performance management system are most predictive of organizational effectiveness. In addition to examining the characteristics of PMS and assess the effectiveness of the system, it is important to examine the perceived effectiveness of the system. Perceived effectiveness of a performance management system is defined as an individual's perception regarding the effectiveness of their performance management system in bringing about desirable organizational and individual employee outcomes. Furthermore, it is important to measure the attitudes of employees as they are expected to mediate the relationship between performance management system characteristics and organizational performance (den Hartog et al., 2004), such that the presence of performance management characteristics increases perceived effectiveness of the system, which in turn leads to increased organizational performance.

2.   Purpose and Objectives of the Study

The main purpose of this study is to examines performance management system characteristics and apply the Principal Component Analysis (PCA) to uncover which performance management system characteristics were most predictive of perceived effectiveness of the system. This study also aims to evaluate the relationship between the characteristics of performance management system. The following objectives are set by the study in order to reach and achieve the purpose of the study:

- To determine performance management system characteristics
- To apply the Principal Component Analysis (PCA) to determine the most effective characteristics of performance management system.
- To determine the relationship between the characteristics of performance management system.

3.   Need and importance of the study

Despite the popularity of performance management systems, dozens of studies indicate the consistent result that firms are not managing employee performance very well. One reason for this may be the misalignment of scholarly knowledge and actual performance

management practices (Murphy and Cleveland 1991 ; Aguinis and Pierce 2008). Although much research has examined the technical or measurement issues associated with employee performance management, few studies have addressed the practices that may improve overall system effectiveness. Specifically, only 3 in 10 employees believe that their company's performance review system actually helped them improve their performance (Holland, 2006). Contemporary challenges facing organizations have led many of them to refocus attention on their performance management systems (Buchner, 2007)[ ] and explore ways to improve employee performance. This study offers research-based guidance as to describe various characteristics/elements of performance management system and identify those characteristics/elements that improve perceived effectiveness of the system. This study is important as it supplies valuable recommendations to the companies regarding design and successful implementation of performance management systems.

4.   Review of the literature

The strength of performance management lies in its continuous, integrated performance approach (Armstrong 2009). Performance management systems were established as a means through which large organisations could support their strategic management functions.(Rantanen, Kulmala, Lönnqvist and Kujansivu 2007). Performance management is intended to increase people's ability to come up to and go beyond expectations and to realise their potential to the full, to their own benefit and that of the organisation with four primary purposes, namely strategic communication, relationship building, employee development and employee evaluation (Armstrong, 2006). Performance management as a system consisting of interlocking elements designed to achieve high performance and stated that this system encompasses processes of planning, goal-setting, monitoring, feedback, performance assessment, reviewing, coaching and dealing with under-performance (Armstrong 2009). It is a continuous process of communication, engaged in between an employee in partnership with his or her supervisor (Bacal 2003). It entails the stating of expectations that are clear and job functions that are fully understood, how an employee contributes towards organisational goals, measurement, barriers that hinder performance and how the employee and the supervisor will work together to improve performance. Goal-setting theory (Maitland & Gervis, 2010) formed the theoretical foundation of performance management. Goal-setting theory, grounded in Locke and Latham (1990)[ ], advocated that conscious goals and intentions govern individual actions and performance. This theory emphasises the importance of goal specificity (Latham, Brcic, & Steinhauer, 2016). Yearta, Maitlis and Briner (1995) defined goal-setting as a broadly used motivational technique to improve performance (Maitland & Gervis, 2010) by affecting the performance through the arousal, direction and intensity of behaviour (Bipp & Kleingeld, 2011)

While performance measurement has been used to describe the 'act of measuring the performance', performance management has been referred to as a holistic system that 'aims to react to the "outcome" measure using it in order to manage the performance' (Radnor and McGuire 2004). Exhaustive research is needed to comprehend the effectiveness of performance management systems (PMS) in organizations, particularly from employee perspectives (Dewettinck and van Dijk, 2013; Mishra and Farooqi, 2013; Simmons, 2002)

Dewettinck (2008) and Dewettinck and Dijk (2013) have defined performance management system effectiveness as the ability of the system to improve individual employee outcomes, including performance, motivation, collaboration, self-esteem, functioning on the job, and comfort in performing job duties. Other researchers have defined the effectiveness of performance management systems by examining the extent to which they produce beneficial outcomes for the organization. For example, Glennding (2002)[ ] and Haines and St-Onge (2012) considered performance management systems to be effective if they lead to the achievement of business goals, improved morale, increased customer satisfaction, better retention, and increased ease in adapting to organizational change. In addition to actual effectiveness of performance management systems, researchers have also examined perceived effectiveness. Perceived effectiveness of performance management systems is defined as individual's perception regarding the effectiveness of their performance management system in bringing about desirable organizational and individual employee outcomes. Given that the main goals of performance management systems are to enhance organizational effectiveness and improve employee and organizational performance (DeNisi, 2000) it is important to examine perceived effectiveness of the system as a means to assess how successful the system is. In addition, perceived effectiveness of performance management systems is 12 important to measure as the attitudes of employees are expected to mediate the relationship between performance management system characteristics and organizational performance (den Hartog et al., 2004)[ ], such that the presence of performance management characteristics increases perceived effectiveness of the system, which in turn leads to increased organizational performance. Dewettinck and Dijk (2013) revealed that employees were more likely to perceive their performance management system to be effective if its main purpose was to improve employees' ability to monitor, evaluate, and adjust their own performance (development-oriented), compared to laying out clear and challenging goals to help employees perform well (results oriented). In addition, Dewettinck revealed that a system with a results oriented purpose was unrelated to the system's ability to effectively improve performance at the organizational level. Consequently, both of these studies demonstrate that development-oriented performance management systems are perceived to be more effective than systems with a results oriented purpose. Lawler (2003) found that survey respondents from 55 Fortune 500 companies, most of whom held positions in human resources, perceived performance management systems to be effective if they helped identify the lowest performing employees for termination. Although Lawler's finding indicates that administrative purposes can impact perceived effectiveness of performance management systems, this study only addressed one kind of administrative purpose. Little prior research has investigated the impact of performance management system activities, such as clearly communicating performance expectations to employees and providing recognition to employees for exceptional performance, on perceived effectiveness of the system. Recognizing employees for their demonstration of desired behaviors is another activity previous research has investigated to determine if it contributes to perceived effectiveness of a performance management system. Haines and St-Onge (2012) found that employee recognition had a significant and positive relationship with perceived effectiveness of the system, such that the more recognition employees

received, the more likely human resource professionals perceived the system to be effective. Linking the performance management system and the rewards system is thought to be effective as employees are more likely to display high levels of performance if rewards are tied to performance (Lawler, 2003). Human resource professionals at some of the top Fortune 500 companies commonly stated that they perceived performance management systems to be effective when performance appraisals were tied to salary increases, bonuses, and stock awards (Lawler). Performance management systems can be designed to allow for employee participation in performance or development decisions and performance evaluation discussions. Dewettinck and Dijk (2013) revealed that the more employees participated in the performance management system, the more likely they were to perceive the system to be effective.

5. Hypotheses

The hypotheses of the study are as follows:

H_{01} : The preliminary significance tests of KMO, Bartlett's sphericity test, initial matrix and the scree plots are not significant at 5% level of significance

H_{02}: There is no significant correlation between the fourteen tested variables

6. Research Methods

This section of the study elaborates methods of data collection, population and sampling procedures, analysis of data and the research design.

▪ Collection of data

The study collected primary data from the employees working in commercial banks in the states of Punjab, Haryana and U.T of Chandigarh. The data were collected in November to January 2021. In total, 500 questionnaires were distributed out of which 465 questionnaires were received back complete.

▪ Population and sampling procedures

The data was collected using purposive sampling and participants were approached using self-administered questionnaire. Purposive sampling is used to select respondents that are most likely to yield appropriate and useful information'and is a way of identifying and selecting cases that will use limited research resources effectively
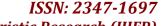
7. Results and Discussion

7.1 Demographic characteristics

This section highlights the demographic characteristics of the respondents.

Table 1: Demographic characteristics

Gender -wise Description of respondents		
	Frequency	Percentage
Male	258	55.5%
Female	207	44.5%
Total	465	100%
Age-wise Description of respondents		
Less than 25 years	36	7.7%

26-35 years	229	49.2%
36-45 years	147	31.6%
More than 45	53	11.4%
Total	465	100%
Experience-wise Description of respondents		
Less than 1 year	22	4.7%
1-2 years	68	14.6%
2-3 years	120	25.8%
More than 3 years	255	54.8%
Total	465	100%
Education-wise Description of respondents		
Graduate	139	29.9%
Post Graduate	305	65.6%
Any Professional Course	21	4.5%
Total	465	100%
Income-wise Description of respondents		
Less than 5 Lakhs	61	13.1%
5-10 Lakhs	296	63.7%
More than 10 Lakhs	108	23.2%
Total	465	100%
Designation-wise Description of respondents		
Mid Level	264	56.8%
Upper Level	138	29.7%
Supervisor	63	13.5%
Total	465	100%
Promotion-wise Description of respondents		
None	84	18.1%
Once	147	31.6%
Twice	159	34.2%
Thrice	51	11.0%
More than three	24	5.2%
Total	465	100%
Source: Primary Data		

The table no.1 explains the descriptive statistics of the respondents with respect to their gender, Age, Experience, Education, Income, Designation and Promotion. As table exhibits that, out of total 465 respondents, 258 (55.5 %) respondents are male and 207 (44.5%) are female. 80 % of respondent are between the age of 26-45 years, 36 (7.7%) respondents age is Less than 25 years, 229 (49.2%) respondents age is between 26-35 years, 147 (31.6 %) respondent belong to the age group 36-45 years and 53 (11.4%) respondents age is More than 45. 22 (4.7%) respondents have Less than 1 year work experience, 68 (14.6 %) respondents have 1-2 years work experience, 120 (25.8 %) respondents have 2-3 years work experience and 255 (54.8 %) respondents have More than 3 years work experience. The above table explains the descriptive statistics of the respondents with respect to their Education, 139 (29.9 %) respondents have qualified till graduate level, 305 (65.6 %)

respondents have qualified till post graduate and only 21 (4.5 %) of respondents have done some professional course, 61 (13.1 %) respondents have annual income Less than 5 Lakhs, 296 (63.7%) respondents have annual income 5-10 Lakhs and 108 (23.2 %) have annual income More than 10 Lakhs, 264 (56.8 %) respondents working at a mid level designation, 138 (29.7 %) respondents work at an Upper level designation and 63 (13.5 %) respondents working at a supervisor level designation. Table No: 4.1.8 shows the descriptive statistics of the respondents with respect to their Promotion, 84 (18.1%) respondents never got, 147 (31.6 %) respondents got promoted once, 159 (34.2 %) respondents got promoted twice, 51 (11.0 %) respondents got promoted thrice and 24 (5.2 %) respondents got promoted more than three.

7.2 Research Question 1: Which Performance Management System Characteristics are highly significant?

Table 2.:KMO and Bartlett's Test

Kaiser-Meyer-Olkin measure of sampling Adequacy		0. 817
Bartlett's Test of Sphericity	Approx. Chi-Square	11753.884
	Df	1770
	Sig.	0.000
Source: Primary Data		

The Table 2 above shows the tests of KMO and Bartlett's. The KMO overall value of 0.817 far exceeds the minimum recommended value of 0.50 to 0.60. The Bartlett's test is also significant at 5%. These two tests indicate that we could proceed with the analysis.

7.2 The factor structure of Performance Management System components.

Table 3: The factor structure of Performance Management System components.

Factor Name and Statements	Reliability	Communalities	Factor Loading	Mean	SD
Result Oriented **(16.350 percent of variance explained with 9.810 eigen value)**	.795			**3.70**	**0.47**
The focus of performance management system (PMS) is on the results I achieve	.821	.655	.690	3.45	0.89
The PMS lays out clear and challenging goals to help me perform well.	.822	.674	.683	3.58	0.45
The PMS only focuses on the performance outcomes	.819	.544	.683	4.02	0.87
The PMS has a positive impact on organisational performance	.821	.551	.675	3.75	0.45
Coaching **(9.370 percent of variance**	.800			3.36	0.64

explained with 5.622 eigen value)					
My supervisor and I meet regularly to discuss how I could improve my performance	.822	.692	.566	3.22	0.58
I discuss my performance challenges with my supervisor	.823	.685	.558	3.41	0.75
My supervisor and I meet regularly to help me face complex situations at work.	.821	.698	.515	3.25	0.35
My supervisor provides support when necessary and gives correction when work is not properly done.	.821	.615	.503	3.54	0.24
Recognition (5.366 percent of variance explained with 3.220 eigen value)	.811			3.29	0.53
My manager takes action to recognize my positive performance.	.825	.622	.473	3.22	0.85
I receive appreciation when I perform well.	.825	.665	.584	3.45	0.22
I am given recognition for my contributions.	.830	.672	.478	3.15	0.35
In my work group, my ideas and opinions are appreciated	.832	.713	.840	3.35	0.27
Feedback (4.412 percent of variance explained with 2.647 eigen value)	.795			3.61	0.51
I receive regular and timely feedback on my performance.	.810	.634	.809	4.02	0.87
PMS takes into account whether I am informed about how well I am performing against performance standards	.811	.690	.598	3.75	0.45
My manager takes action to correct my performance deficiencies.	.811	.685	.711	3.44	0.64
I only receive feedback when I'm not able to achieve my goals or objectives.	.810	.505	.692	3.22	0.58
Participative decision making (2.029 percent of variance explained with 3.382 eigen value)	.795			3.42	0.54
At my workplace, I am encouraged to participate in setting new work	.821	.671	.575	3.45	0.22
I have high degree of influence in decisions affecting me	.822	.630	.399	3.15	0.35

My supervisor gives me a chance to voice my opinions in conversations regarding my performance.	.819	.592	.381	3.35	0.27
In this organization, I often participate in decisions regarding my job.	.821	.659	.692	3.73	0.51
Link between performance management system and Reward System **(3.195 percent of variance explained with 1.917 eigen value)**	.800			3.56	0.56
The PMS clearly links my performance to financial rewards like pay, bonuses etc.	.822	.582	.685	3.15	0.35
Linking rewards to performance is imperative for the effectiveness of PMS	.823	.577	.624	3.35	0.27
In your opinion, linking performance to reward system help in reducing employee complaints about pay equity and absenteeism	.821	.685	.499	3.73	0.51
The link of performance to rewards is a vital contingency factor in motivating employees	.821	.563	.715	4.02	0.87
Development Oriented **(3.094 percent of variance explained with 1.857 eigen value)**	.811			3.46	0.54
The focus of PMS is to help me with my own management.	.825	.718	.518	3.35	0.27
In my opinion, the main purpose of PMS is to improve my ability to monitor, evaluate and adjust my own performance.	.825	.689	.459	3.73	0.51
I am always informed about how I could improve my performance	.830	.658	.739	3.59	0.56
The focus of PMS is to strengthen employee competencies.	.832	.640	.716	3.15	0.35
Career Planning **(2.661 percent of variance explained with 1.597 eigen value)**	.795			3.29	0.63
PMS provides a clear insight into my career opportunities.	.810	.666	.558	3.22	0.85
PMS provides opportunities to develop skills and capabilities for	.811	.653	.518	3.45	0.22

current and future positions.					
My job provides me with chances to grow and develop..	.811	.628	.459	3.15	0.35
The PMS assists me with career planning.	.810	.650	.739	3.35	0.27
Goal Setting (2.520 percent of variance explained with 1.512 eigen value)	.795			3.41	0.53
The PMS allows for discussion before setting of goals or objectives	.821	.617	.715	3.41	0.75
PMS provides individual support for setting quality goals (measurable, attainable and challenging) for effective performance.	.822	.647	.518	3.25	0.35
I have a clear understanding of what am I supposed to be doing in my job.	.819	.537	.716	3.54	0.24
In your opinion, does the PMS reinforce a joint effort between manager and employee to establish and update goals.	.821	.646	.558	3.45	0.53
Administrative Purposes (2.252 percent of variance explained with 1.351 eigen value)	.811			3.61	0.46
The PMS focuses mainly on administrative decisions mainly promotions, pay raises, terminations.	.825	.608	.692	4.02	0.87
The PMS focuses on routine tasks related to my job	.825	.597	.575	3.75	0.45
The aim of PMS is tight control over individual activities with the ultimate goal to secure competitive edge of the organisation.	.830	.663	.381	3.44	0.64
I am not aware of the specific targets related to my job.	.832	.659	.692	3.22	0.58
Identification of Training Needs (2.187 percent of variance explained with 1.312 eigen value)	.795			3.56	0.57
The PMS helps to identify areas where I need training	.810	.696	.381	3.15	0.35
I have the opportunity to develop my skills and knowledge	.811	.677	.399	3.35	0.27
The PMS identifies potential areas of training.	.811	.676	.575	3.73	0.51
The PMS helps to identify critical	.810	.671	.692	4.02	0.87

gaps in the employees' workplace knowledge.					
Task Performance (2.142 percent of variance explained with 1.285 eigen value)	.795			3.42	0.66
My performance is evaluated against criteria that match my job responsibilities	.821	.681	.692	3.45	0.22
The PMS help in performing administrative duties related to the job.	.822	.609	.624	3.15	0.35
PMS measures the planning and organizing work done related to my job	.819	.700	.685	3.35	0.27
I have a clear understanding of my job responsibilities.	.821	.689	.381	3.73	0.51
Goal Alignment (1.905 percent of variance explained with 1.143 eigen value)	.800			3.29	0.62
PMS explains how my performance goals align with business objectives	.822	.580	.716	3.22	0.85
There are clear performance criteria outlined for my job.	.823	.485	.558	3.45	0.22
I have a clear understanding of the organisations corporate objectives	.821	.596	.692	3.15	0.35
The PMS clearly defines whether my work relates and contributes to organisational goals and priorities	.821	.646	.809	3.35	0.27
Contextual Performance (1.872 percent of variance explained with 1.123 eigen value)	.811			3.56	0.59
In my opinion, the PMS takes into account whether I volunteer for additional duties	.825	.552	.711	3.15	0.35
The PMS takes into account whether I take initiative to solve a work problem	.825	.657	.692	3.35	0.27
My performance is rated on the basis of whether i tackle a difficult work problem enthusiastically	.830	.628	.399	3.73	0.51
The PMS takes into account whether I voluntarily do more than what a job requires to help others or contribute to unit effectively.	.832	.657	.711	4.02	0.87

Principal Component Analysis (PCA) was used to derive the factor structure of Performance Management System components. The 56 items of the PMS components were subjected to principal component analysis (PCA). Prior to performing PCA, the suitability of data for factor analysis was assessed. The Kaiser-Meyer-Oklin value was .817, exceeding the recommended value of .6 (Kaiser, 1970[i], 1974[ii]) and the Bartlett's Test of Sphericity (Bartlett, 1954[iii]) reached statistical significance. Principal component analysis revealed the presence of fourteen components with eigen values exceeding 1 (ranging from 9.810 to 1.123), explaining 16.350 per cent, 9.370 per cent, 5.366 per cent, 4.412 per cent, 3.382 per cent, 3.195 per cent, 3.094 per cent, 2.661 per cent, 2.520 per cent, 2.252 per cent, 2.187 per cent, 2.142 per cent, 1.905 per cent and 1.872 per cent of variance respectively. These fourteen factors explain a total of 60.71% variance. As in social science, when information is less precise it is common to consider a solution that accounts for 60 percent of the total variance (and in some instances even less) as satisfactory.

- The first factor under PMS component is **Result Oriented** which comprises of four items with **16.350** percent age of variance and a mean value ranging from 4.02 to 3.45. The average mean score of **3.70** gives an indication of the importance of this factor.

- The next important eigen value (**5.622**) comes for the second-factor, **Coaching**, measured using four statements.

- **Recognition** is the third most important characteristic that indicates which indicates that employees have positive opinion on most of the statements with an average mean score of 3.29 and eigen value of **3.220**. By recognizing employee achievements, organization can make staff more willing to go that extra mile and feel more appreciated.

- The fourth important characteristic of PMS **Feedback** carrying an eigen value of **2.647.** This clearly explains the role of **Feedback** in PMS.

- **Participative decision making** criteria is the fifth extracted characteristic carrying an eigen value of **3.382 implying**

- The sixth important factor is Link between Performance Management System and **Reward System** such that more aligned the performance management system and reward systems were, the more likely were employees to perceive the performance management systems to be effective.

- The seventh characteristic is **Development Oriented** comprising of four items with **3.094** percent age of variance and a mean value ranging from 3.73 to 3.15. The average mean score of 3.46 gives an indication of the importance of this factor.

- The next important eigen value (**1.597**) comes for the eight-factor, **Career Planning,** which contains four statements, all the statements are most important.

- With respect to **Goal Setting**, the ninth factor under PMS component, the results indicates the positive opinion of employees on most items with an average mean score of 3.41 and eigen value of **1.512**.

- The tenth factor of PMS components namely **Administrative Purposes** combines four items and carries an Eigen value of **1.351** and this factor explains the role of **Administrative Purposes** in PMS.

- **Identification of training needs** criteria is the eleventh extracted factor under PMS component carrying an Eigen value of **1.312** and this factor clubs four statements together.
- The next 12th important characteristic in the list is **Task Performance** with four items
- With respect to **Goal Alignment**, the thirteenth factor under PMS component, the results indicates the positive opinion of employees on most items with an average mean score of 3.29 and eigen value of **1.123**.
- The last extracted factor under PMS component is **Contextual Performance** which combines four statements together with an average mean score of 3.56

7.3 Research Question 2: What is the relationship between Predictor variables of Performance Management System?

Table 3 : Correlations between Predictor variables of Performance Management System

	Result Oriented	Development Oriented	Administrative Purposes	Task Performance	Reward System	Participative decision making	Coaching	Goal Setting	Feedback	Recognition	Identification of training needs	Career Planning	Goal Alignment	Contextual Performance
Result Oriented	1	.641**	.506**	.613**	.449**	.513**	.592**	.605**	.514**	.376**	.534**	.554**	.554**	.307**
Development Oriented		1	.422**	.581**	.429**	.622**	.598**	.642**	.528**	.502**	.542**	.606**	.570**	.330**
Administrative Purposes			1	.426**	.489**	.416**	.353**	.429**	.499**	.296*	.454**	.295*	.248	.137**
Task Performance				1	.617**	.659**	.547**	.686**	.382**	.536**	.610**	.555**	.524**	.234**
Reward System					1	.694**	.336**	.524**	.643**	.597**	.573**	.332**	.588**	.328**
Participative decision making						1	.505**	.624**	.560**	.570**	.635**	.482**	.640**	.329**
Coaching							1	.561**	.217	.446**	.504**	.493**	.472**	.235**
Goal Setting								1	.449**	.535**	.617**	.612**	.621**	.377**
Feedback									1	.549**	.559**	.336**	.430**	.364**
Recognition										1	.575**	.532**	.679**	.375**
Identification of training needs											1	.411**	.604**	.336**
Career Planning												1	.608**	.290**
Goal Alignment													1	.425**
Contextual Performance														1

**. Correlation is significant at the 0.01 level (2-tailed).	
*. Correlation is significant at the 0.05 level (2-tailed).	

The overall data analysis for the Predictors of Performance Management System showed a definite moderate to strong positive correlation between the predictor variables with a confidence interval $p \leq 0.05$ and a strong statistical significance at the $p \leq 0.01$ levels. This denoted that the relationship between these variables would be true 99% of the time. Result Oriented & Task Performance, Result Oriented & Goal Setting, Development Oriented & Participative decision making, Development Oriented & Goal Setting, Development Oriented & Career Planning, Task Performance & Link Between Performance Management System and Reward System, Task Performance & Participative Decision Making , Task Performance & Goal Setting , Task Performance & Identification of Training Needs Link Between Performance Management System and Reward Systems & Participative Decision Making, Participative Decision Making & Identification of Training Needs, Participative Decision Making & Goal Setting, Participative Decision Making & Goal Alignment, Goal Setting & Identification of training needs, Goal Setting & Career Planning, Goal Setting & Goal Alignment, Recognition & Goal Alignment, Identification of Training Needs & Goal Alignment and Career Planning & Goal Alignment have high degree of correlation.

8.   Theoretical implications:

This paper comprehensively examines performance management system characteristics and uncovers which performance management system characteristics were most predictive of perceived effectiveness of the system from the following performance management system characteristics: task performance, contextual performance, coaching, feedback, goal setting, and identification of training needs, individual development plans, career planning, and goal alignment. The inclusion of these characteristics allowed one to discover which ones had the most influence in predicting perceived effectiveness of the performance management system. Several relationships between performance management system characteristics and perceived effectiveness of the performance management system uncovered in this paper were consistent with findings in previous research. First, consistent with Haines and St-Onge's (2012), found that recognition had a significant correlation with perceived effectiveness of the performance management system; however when it was examined with other system characteristics in a multiple regression analysis, recognition was unable to explain for unique variance in perceived effectiveness of the system. This study found that the perceived effectiveness of the performance management system was predicted by a clear link between the performance management system and the rewards system and participative decision making. As a result, this study provided empirical evidence for Lawler's (2003) belief regarding the importance of a strong link between the performance management system and the rewards system. Similar to the findings of Dewettinck and Dijk (2013), the more managers encouraged employees to participate in discussions about performance and incorporated employee input when making decisions regarding their subordinate's performance, the more likely employees were to perceive their performance management system to be effective. Contrary to findings by Dewettinck (2008) and Dewettinck and Dijk (2013), who found performance management systems

with a development-oriented purpose were perceived to be more effective than performance management systems with a results oriented purpose, the current paper revealed that performance management systems that focused on the results employees achieved proved more beneficial in predicting perceived effectiveness of the performance management system.

Practical implications:

Organizations can use the results of this paper to help design and implement successful performance management systems. Recent studies (Dewettinck 2008; Rao 2009) indicate that in many organizations the top management still predominantly perceive the primary purpose of the Performance Management process to be of performance evaluation and control rather than of employee development. To ensure performance management systems are effective

organisations should also design their performance management systems to allow for participative decision making between supervisors and their subordinates. To ensure employees are encouraged to voice their ideas about their performance, managers should receive training and planned performance reviews and allot times for employees to voice their thoughts about their performance. Managers should also receive training on how to listen and incorporate employee's input into the decisions managers make regarding employee's performance, objectives, or development. Lastly, organisations should consider designing their performance management system to focus primarily on the results employees achieve, this is because this study found that systems with a results oriented purpose increase perceived effectiveness of the system.

9.   Limitations and future directions

As with most research, this study has limitations. This research was conducted in India and constituted distribution of questionnaire within selected regions of its Haryana and Punjab State. Although this data collection method had been reliably practiced in the past, it is always a possibility that the collected sample may not be an accurate reflection of the entire Indian Employee. This is because few differences prevail for location differences. Moreover sample size of 465, though statistically adequate, is still a small number as per the contemporary research purposes. Hence, it is recommended to replicate this study on a grander scale to get more generalizable results. Therefore, a future study could attempt to investigate deeper how location differences impact of variables on the performance management system. Another avenue to research is a comparative investigation between the different industries. Although in this study, sample of respondents selected from multiple banks to increase the generalizability of its findings, future researchers could benefit from drawing participants from one bank to control for variables that might impact the performance management system.

The results of this study can be generalised to the total population of the selected Banks due to high response rate. However, the results cannot be generalised or transferred to the whole financial industry of India so further study can be conduct in the insurance sector and other industries of India.

10. Conclusion

The performance management system is very complex in some ways and in other ways very simple. The implementation of performance management system can pay great benefits if it is approached with proper mindset. In the process of managing human resources, Performance Management plays a vital part with the aim of achieving employee and organizational goals. By incorporating certain characteristics such as participative decision making, goal setting, recognition and feedback can help the organisations get done what needs to be done and identify a solid rational for eliminating work that is no longer useful. An effective employee performance management process while requiring time to plan and implement, can save organisation and the employees energy and time. The most important it can be a very effective motivator, since it can help organisation and the employees achieve the best possible performance.

The current business trends both in global and domestic market demands for a holistic focus on performance. Here the role of PMS- a multifaceted and joint process that interlink individual and organizational performance together is paramount. The characteristics that were explored from the current research can assist the banks in strengthening their PMS, integrating these PMS characteristics can ensure the effectiveness of PMS and improve how employees perceive these systems in the banking sector.

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