

Theoretical Framework and Review of Literature

Before embarking on any research study, it is essential to pursue a comprehensive review of the studies in the literature on various dimensions. The present chapter provides the review of literature in order to clear the understandings of the constructs and factors appropriate to the present study. The study strides into comprehending the casual paths among these variables. Hence the primary purpose of this chapter is to theoretically define the concept of performance management system (PMS) and review the previous studies conducted in the area of PMS and its relationship with the organizational performance. The study also reviews the literature related to PMS, various tools to PMS and outcome of PMS i.e. Organisational performance.

A most important basis for the progress of complete PMS is that it can assist in improving the output of an organization. A core research question in the area of manufacturing strategy is concerned with the establishment of robust PMS (Dixon *et al.*, 1990; Kim and Arnold, 1996). The implementation of robust PMS results in gaining higher engagement level of employees, this in result enhances the employee performance and hence organizational growth. So, in light of these facts, in this chapter, an attempt has been made to review the previous studies on PMS and is classified into four sections. The first section defines the PMS, employee engagement, organizational performance, various issues to progress towards goals and achieve desired results. The second section focuses on the several measurement tools of PMS in the academic literature. The third section highlights the fruits of performance management system i.e. employee engagement and the last section focuses on employee performance and organizational growth.

Theoretical Framework

Performance Management System

It is well-recognised fact that performance is a multidimensional construct. There are several opinions on the performance. The performance can be defined as the record of outcomes achieved. It can also be defined as a record of an individual's own achievements. The performance is related to something that an individual leaves behind. Latham, Sulsky and McDonald (2007) focussed on the fact that a performance is a precondition for the feedback and the process of goal setting. The performance can also be defined as the combination of skill to do and the will to do. Various scientists in the past have defined PMS differently. PMS is a mean of attaining superior outcome from the business, teams and individual employee within decided structure of deliberated goals, vision and standards (Armstrong and Murlis, 1998). PMS is also defined as actions intended for getting better output from the employees (DeNisi and Pritchard, 2006). Performance management is an organized method to improve the output of business so that the desired objectives can be achieved (Strebler, Bevan and Robertson, 2001).

The concept of PMS and engagement is based on the theories of motivation, such as Maslow's need hierarchy, expectancy model, Herzberg's maintenance factor theory, McClelland's achievement motivation theory and goal setting theory. The goal setting theory best compliments the concept of PMS out of all these theories. This is because the goals are the performance benchmarks to which the individuals and the organizations have agreed upon. The goal setting theory is based on the assumption that the people have goals that encourage them and direct their thoughts and behavior

toward one end (Bateman and Zeithaml, 1993). People attain the positions they possess today because they are goal-oriented.

Various organizations are transformed into empires as these organisations followed the goal-oriented approach. The researchers over the past in goal setting theory guide that well defined goals stimulate motivation among the employees, this further improves organizational performance (Locke, 1981). A model of the goal setting has four major components, i.e., goal, motivation, improved performance and performance feedback. PMS is a word that includes performance planning, performance review, and performance feedback.

An employee's performance relies on mainly key dimensions such as skills, knowledge and motivation. The present study also takes into account the skill scores, knowledge scores and engagement scores of the blue-collar workers in a manufacturing organization. A more in-depth view of performance is defined by taking into account both behavior and outcomes (Brumbach, 1988). The behavior is demonstrated by the performer who transforms performance from idea to action. Hence, while defining the performance of individuals both inputs and outputs, i.e., results need to be considered by an organization. In view of the above facts, the present study takes into account skill scores, knowledge scores and engagement scores as inputs and organizational performance (production, defects) is taken as the output.

Employee Engagement and Organisational Performance

Employee engagement can be defined as the intensity of commitment and participation of an employee towards the objectives of an organization (Sundaray, 2011). The concept of employee engagement has sparked extensive attention over the past decade (Demerouti, 2001; Saks, 2011). EE signifies synergy of being holistic, energetic, spiritual, and aligned with meaningfulness (Singh, 2012). Engagement is a

positive, satisfying, job-related state of mind that is characterized by vigor, dedication and absorption. Vigour can be defined as the level of energy an employee invest in their work to achieve the organization goals. Dedication can be defined as a sense of feeling proud and passionate in one's job and feeling inspired and challenged by it. Absorption can be defined as feeling happy and satisfied in one's work (Bakker, 2012). Engagement is also defined as an involvement of an individual, contentment and passion for work (Harter *et al.*, 2002).

The crux of the definition of EE includes energy, dedication, commitment, vigor, absorption and attachment with the work, organization, and colleagues. Job engagement is also defined as connection among the selves of the members of an organization where individuals state themselves physically, cognitively and emotionally (Kahn, 1990). The definition make clear the notion of engagement as the expression of being present at work. Being present at work demands a specific state of mind.

An individual has to feel, think and act on the job to be engaged at the workplace. In other words, this state of mind represents a motivating force which demands physical, cognitive and emotional wealth. Such wealth can be maximized in definite mental circumstances such as meaningfulness (sentiment that an individual receives a return on the investment of the self in the job performance), safety (being competent to illustrate and make use of an individual with no fear of negative consequences to one's self-image) and availability (a sense of having the physical, emotional and psychological wealth required for investing an individual in the work role). These psychological circumstances offer the machinery by which employee connect to his role performance. Opposite to engagement, disengagement means the withdrawal from the work role. This definition is derived from various questions in

the Gallup workplace audit (GWA, 1999), developed by the Gallup organization, which are based on employee perceptions of work characteristics. According to Gallup (2002), there are three types of employees: engaged employees, disengaged employees and actively disengaged employees. Engaged employees are builders who time and again make every effort to bestow brilliance to their roles. Disengaged employees emphasise on the assignments assigned to them, they are not focussed on the objectives of the organization. They perform only for what they are told. On the other side, actively disengaged employee are unsafe for an organization as they only do not perform well but at the same time discourage the performer in an organization.

Having high levels of employee engagement has number of advantages, it creates a positivity in the environment that results in a positive attitude of employees towards the organization, which in turn increases productivity level of an organization (Sundaray, 2011). When employees are disengaged, it will impact the output through several means such as elevated absenteeism, elevated turnover, poorer productivity and training cost (AbuKhalifeh, 2013), hence an engaged employee is more likely to stay dedicated to an organisation and work together with the organisation to attain the business goals and objectives (Bakker, 2012). This as a result ensures higher levels of performance.

Engagement of an employee not only possesses the power to control employee retention, performance and loyalty but it also plays a vital part to the company reputation and overall stakeholder value. Engagement is very essential to build up the connection among the superior and subordinate. The crucial dilemma that occurs due to disengagement is that the worker experiences lack of motivation and commitment. The previous researcher used enthusiasm and involvement as various foundations of engagement and these foundations are related to profitability and productivity

criterion, loyalty and employee turnover (Harter, Schmidt and Hayes, 2002). Employee engagement has been publicized to have a causal association with productivity and profitability (Buckingham and Coffman, 1999; Coffman and Gonzalez-Molina, 2002).

Employee engagement is extended across the employee-customer boundary. The revenues, business goodwill and brand image are at stake in case of disengagement. The motivated and engaged employees are likely to contribute add in terms of productivity of an organization and also facilitates in sustaining a higher level of commitment, this leads to the more satisfaction among the customers (Mehta and Mehta, 2013). When employees are effectively engaged in an organization, they form an emotional relationship with the business concern.

Coffman and Gonzalez-Molina (2002) define an engaged employee as one who is eager of his profession, is accountable and duty-bound to his/her work an organization. An engaged employee possibly will go more than their job description and facilitate to improve the standing of an organization in the market. Vazirani (2007) defines an engaged employee as a builder and is conscious of what is expected of him in the workplace and he is competent to attain it. An engaged employee works without fail each day at a noteworthy level of dedication, talent and strength. Engaged employee often comes up with originality to boost up the status of the organization.

So, from the above discussion, it is clear that the goal setting theory best compliments the concept of PMS. If the PMS is well implemented, then the employees will be encouraged to put in discretionary efforts and as a result, performance indicators of the company will also be impacted. In the present study, it is assumed that the well implemented PMS in terms of performance appraisal and skill

mapping in an organization shall lead to high engagement level among the employees. This, in turn, shall reflect on the performance indicators such as production and defects in an organization.

Literature Review

Performance Management System

Cappelli and Anna (2016) compared the traditional PMS with the current needs of the organizations. Over the decades, the evolution of PMS was much impacted by historical and economic contexts. Earlier, the focus of appraisal system was to identify the resources in terms of whom to retain, whom to reward and which ones to let go. The system which emphasized on individual accountability worked well as human resources were available in abundance. But the scenario changed over years and now talented resource are in short supply and developing resources is a big concern. Current PMS not only focuses on performance appraisal but also on the overall development of the employee.

Farndale and Kelliher (2013) analyzed that HR lays down the procedures for performance appraisal and an important role is played by line managers who act as implementers of the system. However, organizational commitment will be impacted by the experience of an employee. Additionally, the experience also depends on the level of trust the employee has in senior level management and the broader organizational climate. This author studies 22 business units with 4422 employees. The results revealed that organizations with elevated trust in the management show higher degree of commitment. The study pointed out a strong connection between employee perceptions of fair treatment at the time of appraisal and organizational commitment. This offers primary confirmation that for employee-level outcomes, the

influence of actions of superior is significant but is also constrained by the climate of an organization.

Ahmed, Ramzan, Mohammad and Islam (2011) examined the association between perceived equality in performance appraisal and organization citizen behavior (OCB) by taking organizational commitment (OC) as a mediator. The author found performance appraisal as a key element of the practices of the management. It plays a vital part in the constant development of human resources. The study was done in the banking sector with randomly selected 318 employees. The collection of the data was done by using a questionnaire. The study found a strong positive connection between perceived fairness in OCB and performance appraisal while this relationship is mediated by OC.

Wibisono (2011) confirms that PMS is not only a measure for examining the performance of an organization but it reflects the culture and viewpoint of an organization. The study points out that designing and executing PMS is a vital element of controlling the management systems. Though, conventional PMS is criticized as outdated, inappropriate to executive decision making and also not related to strategic objectives. The study highlights that there is a need for a fresh arrangement that can guide to the design of a PMS that balances internal and external measures, monetary and operational measures due to the limitations of the traditional PMS.

Aguinis (2009) defined PMS as a continuous process which emphasize on identifying the business goals and objectives. It helps in aligning the individual goals and objectives of an organization to the strategic goals and provides the wide scope of important feedback. PMS can also be described as the procedure of creating a work environment in the organization in which the employees are motivated to perform to

the best of their abilities. PMS starts from defining a job clearly and finishes when an employee leaves the business enterprise.

Sripirabaa and Krishnaveni (2009) concluded that PMS is set of functions, which include various measurement tools such as performance appraisal, feedback, gathering of development inputs etc. The study points out that the organizations nowadays depend on implementing PMS and appraisal process to acquire data appropriate to decision making in terms of promotions, pay hike and demotions. Such data gathered is also appropriate to decisions about training and development needs for a worker and setting valid predictors for PMS.

Armstrong and Baron (2005) described PMS as a tool to make sure that the managers manage well in an organization. This means that the managers know that the employees they manage understand well what is expected of them and also they have the required skills to fulfill the organizational objectives. A well-executed PMS provides time to time feedback on the performance of the employees.

Bourne (2002) carried out case studies to examine factors affecting successful PMS implementation. The findings of the study recommended that there are four most important determinants of implementing a robust PMS. These are (a) the effort needed for execution (b) the easiness of the availability of the data through the IT systems (c) the outcomes of performance measurement (d) new company proposals.

Wettstein and Kueng (2002) revealed that PMS in an organization goes through four different stages and refer the stages as ad hoc, adolescent, grown-up and mature. The authors differentiated the stages on the basis of five aspects i.e. (a) scope of measurement (b) collection of data and the storage of data (c) communicating the performance outcomes (d) make use of performance measures (e) excellence in the

process of performance measurement. The results of the study highlighted that only one measurement tool of PMS cannot serve the rationale of any manufacturing firm forever, therefore, the PMS has to be flexible to reflect the requirements of the organization in its existing level of growth and development.

Armstrong (2001) pointed out that the PMS facilitates the business enterprise to identify how the employees perform. PMS also enables to find out those employees who add the most value and also those who added minimum value to the organization. PMS allows the organization to undertake a comprehensive evaluation of the training and development needs of the employees. This helps to set the development plans to shape the remuneration of the employees.

Wholey (1999) studied various issues in PMS to progress towards goals and achieve desired results. The paper examines the process of performance management and deals with its implementation at few levels in the United States. This article also shares the details on the responsibility of manager in the effective execution of PMS and takes examples from different federal agencies of United States. The study highlighted the importance of training requirements and suggests the further scope of research in the area of PMS.

Tools to Measure PMS

This section of the chapter highlights the previous frameworks of PMS. There are number of frameworks that have emerged over the last period, for example, The malcolm baldrige national quality award (MBNQA) by United States government (Wibisono, 2006); performance measurement questionnaire (PMQ) (Dixon *et al.*, 1990), performance for world class manufacturing (PWCM) (Maskell, 1991); quantum performance measurement model (QPMM) (Hronec, 1993); key

performance indicators (KPI) (AusIndustry, 1995); the balanced scorecard (BSC) (Kaplan and Norton, 1996) and the performance prism (Neely, 1999). The other most common measurement tools found in the literature are performance appraisal, balance scorecard, skill charting and are discussed as follows:

Performance Appraisal: PMS is not identical to performance appraisal system. The performance appraisal is time and again confused with PMS and predominantly misunderstood as synonymous, which is not true. Performance appraisal is a single action that is performed to examine the performance of employees for a specific time period on a well defined set of parameters. In contrast, PMS is an integrated activity which has the purpose to cultivate and institutionalize PMS of the whole organization and align performance of the workers in order to meet the desired organizational goals. So it can be concluded that the appraisal is an important element of PMS or PMS is an evolved form of appraisal (Biron *et al.*, 2011).

Sharma and Aggarwal (2015) indicate that appraisal of employees is one tool for examining the performance in an organization. An appraisal is an administratively certified affair conducted once in a year. It involves the performance assessment of employees' through the assignment of quantitative scores. The author also highlights that both performance management and appraisal are time and again used interchangeably but these definitions recommend that appraisal is a significant constituent of PMS and performance management is a more evolved form of appraisal.

Boachie and Seidu (2012) highlight that the workers are expected to embrace and add significantly to a particular performance appraisal system if they recognize appraisal as an opportunity for personal growth. The employees can also notice

appraisal as an opportunity to exhibit their skills, abilities and also as an opening to the new set of connections with others. The authors' summarize that performance appraisal will be valuable if the procedure is well explained and agreed by the workers concerned. In addition, a flourishing appraisal provides the basis for motivating an employee, the attitude, development and nurturing positive relationships between management and employees.

Panda (2012) defined performance appraisal as the organized review of how well employees are performing their jobs in relation to well-known standards. This measurement is then communicated to the employees of an organization. Performance appraisal is the regular assessment of the job performance of an employee examined against the job requirements. A major outcome of the study is that the ritual exercise of filling the appraisal forms was strongly criticized by most of the respondents. A few respondents were very critical about the ratings awarded by their superior. The respondents were of the view that while appraisal, the superiors were least concern with the authentic output of the subordinate and the superiors did not take into account any of the difficulties faced and gave identical ratings to all the employees, As a result, this affected the motivation of the employees and they also lost the confidence in the entire system.

Sripirabaa and Krishnaveni (2009) confirm that the center of attention for effective performance appraisals is the individual growth of workers as compared to the managerial control. Performance appraisals are tools used by the business managers to examine the show of workers against well-known behavioral standards and core competencies. At some stage in the performance appraisal process, the feedback from the superiors, peers and subordinates is acquired. The focus is given to

identify a person's potential rather than on his limitations. This appraisal process delivers valuable information to the stakeholders involved in an organization.

Corcoran (2006) highlighted that PMS comprises of various interdependent internal processes. The performance appraisal is only one part of the overall PMS process that covers various sub-processes such as recruitment and selection, goal setting, the review of performance and training and development. PMS relates to everything that takes place in between these practices of an organization. PMS is all about setting the goals in order to achieve the objectives of an organization. The objectives set by the employees are as per the superior's evaluation of the employee's performance.

Skill Charting: Skill charting is a process which is often used in organizations in order to recognize the field of knowledge, skills and capabilities that correspond to a particular group. Lyons and Mattare (2011) define skill charting as mainly the consequence of procedure of recording vital skill and knowledge components of a job or role, in order to express what is required for the successful performance of an organization.

Lyons and Mattare (2011) conducted a study to observe the efficiency of skill charting methods in an organization. The team leaders and their team members participated in a member-focused study. The team members participated in the study were customer service representatives in a financial services firm. Each team leader supervised six to eleven team members. The team leaders were at random divided into two groups: the study group (S) to whom the training was provided using skill mapping technique which was primarily focused on five performance areas. The second group of team leaders (T) got the training in the more conventional areas of

supervisor. The training focus for each and every selected group was fairly diverse. The team members evaluated the performance of their respective team leaders in the five areas after several weeks following training. The techniques used for the analysis were variances and group differences. The results of the study indicate that the skill chart team leaders to whom the training was provided were rated considerably superior in the performance. These results make for a comparatively strong case for the efficiency of skill charting methods, although the authors could not state direct cause and effect relationship.

Ahadzie, Proverbs, Olomolaiye and Ankrah (2009) conducted a research in the Ghana housing industry and the results of the study confirm that PMS help in reviewing the current and the future skill requirements of the workers in an organization. The identification of skill requirements gives rise to training and development needs that benefit the workers to develop and learn in order to meet the objectives of an organization. Such training and development programs also help those who already possess the relevant skills as they may also be pleased about the results of training. This will provide a knowledge-based impetus for striving to attain superior performance level in an organization.

Paul (2005) examined the skill charting methods and its application in the improvement of performance. Skill charting methods are useful in improving the performance of the employees through focused interventions and training on improvement areas. Improved performance will result in better organizational competitiveness and performance. The skill charting method has implications related to many aspects of employees like job analysis and identification of skills for each role, skill development, development standards, capability building interventions, performance appraisal and performance improvement. All these factors have an

impact on employees' and company's performance. The author has noted many positive changes in the performance of employees with the use of skill charting method.

Balanced Scorecard (BSC): One of the major objectives of implementing measurement tool of PMS such as the BSC is to communicate strategy all the way through the organization. Among the number of PMS techniques, BSC is a major tool of PMS. This method was introduced by Kaplan and Norton in 1992. BSC presents a method to put together measurement system from four diverse perspectives such as customers, business, learning and financial perspective. The BSC is a promising tool for the performance measurement of an organization. It facilitates the organizations to restructure their strategy and vision. The BSC examines the authentic performance of an organizational against set goals. The purpose of BSC is to replace traditional performance system by focusing on its perspectives to get hold of more sufficient and efficient performance assessment model.

Wibisono (2011) examined the previous framework of PMS in the manufacturing companies of Indonesia. The findings of the study highlight that the previous frameworks such as BSC is the most suitable measurement tool to Indonesian manufacturing companies. The earlier measurement tool such as BSC is the most popular technique in the measurement of the performance management of the company. Though, in exercising this measurement system, many companies in Indonesia are facing difficulties to put into practice them because this method still needs further modifications.

Ittner (2008) examines the linkage between BSC and organizational performance. The outcomes of the study found that non- financial performance

measures are positively related with the output of an organization. The authors also highlighted that companies implementing performance measurement system would improve their organizational performance and profitability by recognizing the causal relationships between actions and performance.

Hendricks, Menor and Wiedman (2004) investigated whether to adopt or not to adopt BSC technique. The finding of the study was the positive relationship between the tendency to adopt BSC and the uncertainty of firms' environment. The authors have also highlighted the need for more research on BSC and the issue in its implementation. It will further help to examine the correlation between BSC adoption and company's performance. The authors concluded with certain recommendations for BSC implementation like involvement of senior leadership; articulating the company's vision and strategy; identification of the performance categories to link results with vision and strategy; cascading the BSC to divisional and functional levels; development of meaningful standards and effective measures; deployment of appropriate budgets, communication systems.

Healy (1971) examined the effects of improved housing on the performance of the workers. The author did an empirical investigation on the impact of housing improvement on the worker productivity, health and absenteeism. The study proposed that interaction of housing improvement should also be considered with other forms of human capital investment. The study covered four years and was done in Mexico dealing with the performance of a sample of factory workers. The study found that the return on the investment improved through the determination of wages.

Fostering Employee Engagement

PMS results in attaining a higher level of engagement. The previous studies indicate PMS to be ineffective and the researchers recommend that PMS have to promote employee engagement (Macey *et al.*, 2009; Pulakos and O’Leary, 2011). The engaged employees are likely to have better scores of meaning and self-determination that reflect superior intrinsic job motivation. The increase in the engagement scores of the workers in an organization is considered as an outcome of a well implemented performance measurement system. A well executed and fair PMS encourage the workers to perform with the enthusiasm to achieve the predefined targets of an organization. Some of the studies conducted in the area of employee engagement and PMS are discussed as follows:

Tripathi and Singh (2014) suggest that employee engagement is a vital part that a business must focus to remain productive effective, loyal and committed. The author points out that the satisfaction of customers, productivity and employee retention is at risk in case disengagement is not controlled. The employee engagement impacts the financial stability of the company and hence there is requirement to study the dimensions of employee engagement closely.

Gallup (2013) confirms that engagement results are poor in one of the world's most emerging markets like India. The study recommends that the Indian business leaders must work to keep the employees engaged. The managers must make use of their talents, skills, and ideas to the full extent in order to generate and make bigger domestic markets and develop loyal customers. However, the results show that just 9 percent of the employees are engaged and 31 percent are found to be in the category of actively disengaged employees’. Another feature of the study highlighted that the

engagement rates are above 10 percent in case of white-collar employees, however while the engagement rates fall below that threshold among the blue-collar workers involve in the physical work, such as installation, repair, construction, mining and manufacturing.

Staheli (2013) assessed the association between a comprehensive performance measurement system and engagement of an employee. Employee engagement was examined using the scales established by Schaufeli, Salanova, Gonzalez-Roma and Bakker (2002). The findings of the study indicate that comprehensive PMS helps in attaining the higher levels of employee engagement. Another important finding of the study was in relation to the job complexity. The results of the study indicated that PMS is vital to achieve the desired level of engagement in case the employees are performing difficult jobs.

Mone and London (2010) emphasized on the engagement of the employees. The author suggested that a well-executed PMS also enables to ensure that the employees are motivated to perform their duties with the right attitude. This high level of employee engagement will lead in achieving the desired objectives of an organization.

Whittington and Timothy (2010) pointed out that one of the key strategic imperative for organizations is attracting and retaining talented employees. The organizations need to create best in class practices for employees' annual appraisal and capability building. These processes should give a great experience to workers leading to high degree of engagement of an employee. The authors have answered many questions related to the role of employee engagement. Some of the questions are: How the engaged employees are performing? How to foster employee

engagement? What different initiatives can be taken at employee level to strengthen engagement? To answer these questions, the author has reviewed existing literature on human resource, strategy and leadership. The study concluded that engaged employees relatively perform better as compared to the disengaged ones through seven key engagement principles. The author has also shared some of the practical recommendations on strengthening the employee engagement.

Hall (2008) examines the association between a complete PMS and engagement of employees. The study suggests that comprehensive PMS is likely to offer significant information for the managers to improve their job clarity and also psychological empowerment to impact the employee's motivation. A more comprehensive PMS is likely to improve the motivation and psychological empowerment. An organization that appropriately implements detailed PMS can offer a better description concerning the fulfillment of psychological employer and employee relationship.

Moynihan (2008) claimed that the fruits of performance management are engagement, efficiency, innovation, results and accountability. In the recent years, organizations have brought change in performance management model to drive productivity but this sudden change has not delivered the expected results. The author illustrated how organizations have focussed only on some of the aspects of performance management like acquiring more performance data through building measurement systems. But the researchers have not given due importance to a wider change in the organization that would support the use of such information. The author also analyzed how and why the government organizations have made the move to strengthen PMS and recognized that organization leadership, resources and culture are keys to better execution of performance-based system and improved outcomes.

Devaro (2006) analyzed the promotion schemes introduced as part of HR strategies to achieve strategic goals of the firm. These schemes are used for motivating workers to achieve increased levels of efforts and performance. An empirical investigation was conducted utilizing the information on wages, performance and promotions for professional workers. The study was conducted in different sections of four districts of the United States. The finding of the investigation was that the promotion announcement was strategically organized to boost the morale of workers and take their performance to higher level. It was suggested through evidence that promotion is determined by the relative performance of workers, which supports the notion of creating competition in the internal promotions. In this system, fixed job slots and internal hiring policies are combined in order to create a healthy environment among current workers of a particular level in an organization. The model of promotion in a structured format accounts for the change in behaviors of workers.

Howe (2003) highlighted a few positive elements that can be achieved as a result of the employee engagement. The fruits of employee engagement include more productivity, high job satisfaction, elevated motivation and commitment, lower employee turnover rates, increased enthusiasm, high energy at the workplace, a greater sense of team, higher levels of satisfaction among the customers, reduced absenteeism and higher profitability.

Sanford (2003) found that disengaged employees impact the business financially in terms of the decline in profits and sales, reduced satisfaction among the customers and lower labor productivity. The author also found in Gallup Poll's study on employee engagement that engaged employees consist of 29 percent of the US workforce while 55 percent are disengaged and 16 percent are actively disengaged.

The study estimated that actively disengaged employees possibly will cost the American economy up to \$350 billion per year in terms of decline in the labor productivity. The human resource department (HRD) can promote employee engagement by laying emphasis on high impact learning, performance and change. Motivating employee engagement through these possibilities has a huge return on investment (ROI) potential for business enterprises.

Harter, Schmidt and Hayes (2002) confirmed that engaged employee's impacts the business unit outcomes in terms of improved customer satisfaction, labor productivity and higher profits. The researchers examined the association among employee satisfaction and engagement and the business-unit outcomes of customer satisfaction, productivity, profit, employee turnover and accidents. High levels of satisfaction and employee engagement were positively related with the satisfaction, of the customers, ability to generate profits, elevated labor productivity and safety outcomes.

Employee Performance and Organisational Growth

It is well acknowledged in the literature that fair PMS through various measurement systems such as appraisal, skill mapping and evaluation tests will enable the workers to perform with passion and hence the employee performance will definitely get better. This as a result, will improve the performance of an organization. Gruman and Saks (2011) emphasize that PMS should be redesigned to foster employee engagement, which then leads to achieve the positive performance of an organization. Some of the studies in the area of linkages between employee performance and organizational growth are discussed as follows:

Boone (2017) examined employer bias effect on worker performance. The author conducted a research in a French grocery store chain in their 34 outlets which were having minority workers in large proportion. The performance parameters were defined by researchers which were tracked for each of the stores like time spent by the workers and absenteeism of the employees. The study was done for all new cashiers who were working under the initial contract of six months. The authors used worker performance data and it was found that the performance of minority workers was worse on days when they were supervised by biased managers. With the assumption that manager bias has a reflection on the worker's performance, it was suggested to adopt specific policies to avoid this bias. The study also encouraged the managers to interact with all subordinates, promoting female managers and reducing the effects of implicit bias.

Singh and Twalo (2015) examined the effect of poorly implemented PMS on the job behavior and employee performance. The study confirms that PMS provides very important information on whether the skills of employees are well-matched to achieve the objectives of the organization. A badly managed PMS will not succeed to encourage the employees and certainly, there would be a deficiency in the job satisfaction, this will influence negatively on their self-esteem and outputs. The outcomes of the study revealed that 8.85 percent of the sample agreed that there is day to day evaluation of their tasks to make sure that the job is done appropriately. The weak PMS would result in the unproductive workforce. The results strongly recommend that PMS can be a vital factor in deciding whether an organization can administer its manpower efficiently. The study confirms that when the expectations of employees are not met, unsuitable job behavior and performance can disrupt the accomplishment of goals of an organization. However, a well-executed PMS would

make available essential information that permits a firm to ensure human resource planning.

Asmusa and Karlb (2015) evaluated the impact of setting goals on the performance of blue-collar worker in an industrial production process. A real-effort experiment was done at the Technische University Munchen at the training factory to examine the productivity. The parameters used for evaluating the participants' performance were quality and quantity of the goods. Four groups in a different experimental setting were defined in total for the study. This was the first experiment linked to the goal setting which was conducted in a manufacturing set-up and hence contributes in providing important inputs. The results are also used by practitioners who are working in the domain of sustainable production. The findings indicated that with goal-setting and no increase in financial incentives, workers performance was improved by 12 percent to 15 percent as compared to undefined goals.

Vosloban (2012) examined the relationship between the employee performance and the growth of an organization. The author found that the organizations grow faster when they are familiar with how to use and invest in the resources available. This supports in building a strategy in the rising markets. This is generally considered as the responsibility of a manager and the outcomes rely not simply on the capability of the management but also on the employees recruited. The research highlights the importance of the PMS, which is compulsory to be practiced in case of the vital resource of the organization i.e. the employee. Therefore, a company targets to retain high performing employee as long as possible because of the positive image such employee creates and for the benefits the employee brings in. But with more output, the expectations of the employees also increase. This paper underlines facet that influences the performance of employees' and the strategies which are used

by organizations to retain high performing employees and to stimulate their potential. This research also highlights the management's implication in the process.

Vazirani (2007) confirms that an engaged employee is more motivated and hence perform relatively better to disengage employees. The study established a positive association between profitability and engagement level of employees and points out a fact that employee engagement improves the trust of an employee towards the firm. The author is of the viewpoint that engaged employee generates loyalty in the competitive environment and engagement level enhances the organizational growth. The study concludes that employee engagement is a vital component to any firm that preserves esteemed employees.

Howe (2003) in the study points out various benefits that an organization can achieve as a result of an increase in the level of employee engagement. The study summarizes that there is an increase in the productivity level, motivation, enthusiasm, better working environment, the decline in absenteeism, gain in profitability of an organization. The commitment is a vital component that can be achieved as a result of employee engagement.

Sanford (2003) highlighted some disadvantages associated with the disengaged employees in an organization. Some of those disadvantages are decline in profits, reduction in customer satisfaction and lower output. The study also indicated in Gallup Poll's research on employee engagement that engaged employees consist of 29 percent of the United States workforce whereas 55 percent are found to be not engaged and 16 percent are disengaged. The study concluded that actively disengaged employees might cost up to \$350 billion per year to the American economy in declining output. The study recommended that efforts on human resource

development (HRD) can support employee engagement in the place of work and motivate employee engagement through these paths has a massive return on investment (ROI) perspective for business firms.

Shearer (2003) analyzed that compensation policies or contracts also impact the productivity of the blue-collar worker. The hourly rate system drives productivity in a different manner and depends on the nature of the industry. But the production and quality of this system also vary. The research pays attention to the change in productivity with a change in the compensation plan. The incentive linked compensation plans help in driving productivity in the firm. The organization needs to regularly keep a track on compensation and benefit plans and bring changes in line with changes in the environment.

Hansen (1997) examined the performance of employees and group incentives. The data used was from two units of a big US financial corporation to assess the reaction of employees to the beginning of a new incentive plan. The study found that performance and incentive plan has direct linkage and incentive plan caused performance to meet a particular standard. The incentive plan also helped in improving the productivity of the workers. Parallely, the workers considered as most productive were able to sustain their performance. The study indicates that incentive plan linked to production was helpful in improving the productivity of the workgroup.

Research Gaps

From the above literature, it can be concluded that a few studies are conducted to study the part of PMS and its impact on the organizational performance. Majority of the studies are undertaken in the perspective of developed nations, but very limited studies are found in the perspective of developing nations, especially in the

manufacturing industry (Joshi, 2001; Ismail, 2007; De Waal and Frijns, 2009; Khan *et al.*, 2011), thus leaving a gap in this field. Many organizations do not have a highly evolved system for appraisal of workers performance.

Normally, organizations with unionized workforce prefer to do standardized salary increase driven by long-term settlement with little or no emphasis to critique the performance of blue-collar employees. In non-unionised organizations, PMS exists but is not robust and there is no emphasis on performance appraisal of blue-collar employees. The performance of blue-collar employees remains at the same level due to lack of reviews and feedback.

Previous research supports that a fair and robust appraisal process will provide a lot of inputs for improving the performance of the white-collar employee and this will result in better results for the organization (Evecen and Beşkese, 2009). However, no study is focussed on blue-collar employees in the literature. The timely appraisal and utilizing the process inputs for developing skills of the blue-collar employees will help the organization in improving its performance on key deliverables like productivity, quality etc.

One of the studies by Ahmed *et al.* (2011) evaluates the importance of fairness in PMS and how the perception of the fair process can strengthen the commitment of employees towards the organization. It is quite important to have a belief of blue-collar employees in the fairness of PMS and the utilization of overall process in their development. Only with this belief, an organization can strengthen engagement level which will bring in discretionary efforts and in turn influence the organizational deliverables.

Studies have also evaluated the role of a supervisor in building the capability of his subordinates. The role of a supervisor goes beyond the traditional role of taking the output from subordinates. In the current era, the role of supervisor and subordinate works on give and take relationship wherein supervisor is also responsible for the performance of his team and his role extends to managing the performance, building capability, keeping subordinates engaged and providing them support in the hour of need. It is important to upgrade the skills and ensure that blue-collar employees are equipped with required skills and knowledge in order to drive the productivity and quality. PMS provides an important platform wherein organization can leverage the system and evaluate the worker against set benchmarks. Also, an organization can identify the training needs to keep the workers in line with changing business scenario and requirements of the market, thereby positively impacting the organizations' performance.

As most of the companies have evolved PMS for white-collar workers but not for blue-collar workers. Blue-collar employees are not studied by the researchers during the past several years (McLeod, Lavis, MacNab, and Hertzman, 2012; Nielsen and Abildgaard, 2012; Strandholm, Schatzel, and Callahan, 2013). The present study will focus on understanding the ideal system for evaluation of the performance of blue-collar workers and its impact on the organizational performance. It is evident from the literature that little research has been done in the field of PMS for blue-collar employees and a detailed analysis of the same can have an influence on the organizational goals. So, the present study is a footstep in this direction and fills in this gap.

Hypotheses

From the above discussion, the following hypotheses can be formulated.

H₁: The supervisor has a vital role in the performance appraisal and skill mapping of the blue-collar employees.

H₂: There is a significant relationship between skill mapping and organizational performance.

H₃: There is a significant relationship between PMS and engagement level.

H₄: There is a significant relationship between the engagement level and organizational performance.