



Unravelling the Nexus between Performance Management System and Employee Engagement in Alcohol Industry

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ABSTRACT

This captivating research unravels the enthralling connection between Performance Management Systems (PMS) and employee engagement, focusing on the vibrant realm of the alcohol industry. With a sample of 150 spirited employees, our hypothesis was jubilantly validated – PMS effectively bolsters employee engagement. Through rigorous analysis, a remarkable correlation coefficient of 0.668 was unveiled, affirming the power of this symbiotic relationship. This study not only delves into the perplexing relationship between PMS and engagement, but it also highlights the optimistic and inspiring possibilities for industries to motivate their staff and celebrate increased engagement levels. Cheers to thriving organisational spirit!

Keywords: Performance Management, Talent Fostering, Feedback System, Retention, Employee Engagement, Motivation

INTRODUCTION

Cardy (2004) defines performance management as a fundamental part of organisational effectiveness. Because it is the primary mechanism through which work is completed, it is seen as the "Achilles Heel" of human capital management (Pulakos, 2009) and should thus be a top concern for managers (Lawler, 2008). Performance management is a methodical procedure for increasing organisational success by developing both individual and team performance; it is a method of improving the performance of the organisation, teams, and people by recognizing and controlling performance within an agreed-upon framework of set goals norms, as well as a competency criterion (Armstrong, 2006).

Talent Management is one of the processes undertaken which facilitates the employees to link the business goals with the individual and personal goals. Along with this, it also makes sure that the employees are contributing and participating in the overall planning procedure. (Chompukum, 2012). Talent management, with all of this in place, focuses on increasing the motivation level of the employees, leading to an increase in productivity and overall business performance. In one research conducted by McDonald and Shield of Hewitt Associates, it was found that the companies that adopt the Performance Appraisal System have higher net profit, better flow of cash, increased market value etc. (Chompukum, 2012).

The process of determining which goals to achieve, distributing decision-making rights, and evaluating and analyzing employee performance is all part of the Performance Management System. By creating SMART objectives, organizations reduce and eliminate ambiguity and confusion about the goals to be attained, and as a result, employees acquire coherence and concentration in pursuit of their goals. (Verbeeten, 2008)

Employees are intended to be the company's success engine, driving it from where it is to where it wants to be. Today's management needs workers who will give their all to their tasks, jobs, and obligations and are willing to go above and beyond in order to succeed. Engagement must be at a level that affects employees' perceptions and enhances the organization's reputation. (Kaliannan et.al 2015).

Organisation and management require long-lasting employee loyalty. The business must include and incorporate employees in all activities to achieve this. It discusses involving employees in strategy formulation so that they feel a part of the business and embedding employee engagement into the organization's core principles and organisational structure. (Mann & Harter, 2016).

Employee engagement fosters a sense of belonging and inclusion among staff members. As a result, they begin to see their own value and worth, which improves participation. This results in organisational citizenship conduct, which encourages employees to participate voluntarily in a variety of business endeavors that are outside the scope of their employment contracts. They have a strong sense of commitment to improving the company. (Lee et.al, 2013)

REVIEW OF LITERATURE

Efficient Performance Management System

There is vast literature on the positive effects of increments on the employees of the private as well as the public sector, along with this there is also supporting literature on how the incentives affect the behavior of the employees in the public sector. (Prendergast, 1999; Murphy, 1999; Dixit, 2002; Burgess & Ratto, 2003; Courty & Marschke, 2001 and Kahn, Silva & Ziliak, 2001).

A powerful system for performance management is built on clear job descriptions, supportive supervision, training analysis, objective assessments, constructive criticism, and an open feedback culture and along with this, the system should be transparent, unbiased and objective. Organizations can optimize performance, facilitate growth, and achieve strategic objectives by ensuring employees have a comprehensive understanding of their roles, providing necessary guidance and resources, identifying training needs, conducting fair evaluations,

providing constructive feedback, and fostering an open communication culture. (Chouhan et.al., 2016; Dieleman et.al., 2006)

Ichniowski and Shaw (1999) conducted research comparing the United States and Japan. Data obtained from forty-one steel manufacturing lines was analyzed to determine the effects of Japanese and American human resource management (HRM) practices on worker productivity. They discovered that Japanese lines are more productive than American lines.

Atkinson et al. (2004) found that performance-based incentives improved pupils' test scores and, on average, half a grade per pupil, indicating their effectiveness in increasing teacher efficiency and performance.

Singh et.al. (2008) studied the relationship between organisational effectiveness and HR Policies. The data was gathered from forty-nine companies over forty-nine industries. It was found that there is a substantial positive link between the HR Policies and organisational performance.

Verbeeten (2008) investigated whether the performance management practices affect the performance of the public sector employees. The data was collected from 93 public sector organizations. The findings show that SMART goals are positively related to the quality performance of employees and along with this, the incentives motivate the employees to perform better.

Iqbal et.al. (2013) studies the influence of performance evaluation on the performance of the employees with context to the motivation's role in moderating the whole process. A random sample of 150 workers from Dera Ghazi Khan Banks were chosen. A standard questionnaire was used to collect primary data, and correlation coefficients were calculated. The findings suggest that there is a favorable association between performance assessment and personnel performance. Motivation was also shown to favorably modulate this association.

Yadav & Dabhade (2013) studied the PMS in BHEL, Bhopal. The data was collected from a sample of 200 employees of BHEL. According to the findings, employees have a modest degree of awareness and satisfaction with the current Performance Management System (PMS). A sizable amount (22% strongly agreed and 42% agreed) were pleased with their PMS, while a lesser proportion (28% and 8%) disapproved or severely objected. The survey also discovered that respondents' service time was comparable, with around 22.5% having less than 5 years, 24.5% having 5-10 years, 25.5% having 10-15 years, and 27.5% having more than 15 years of service. The chi-square analysis revealed a considerable similarity in respondents' service time.

Gautam (2014) researched about the PMS implementation in Sugar Mills and their impact on employee's motivation. This research was a case study of Simbhawli Sugar Limited, India. A survey was conducted among 42 managerial and subordinate staff members. The results reveal that PAS has a considerable impact on the employee motivation and setting KRAs to measure the employee performance and training is emphasized on to enhance employee motivation and performance.

Hvidman & Anderson (2014) investigated the impact of PMS in public and private sector organizations. The data was collected from 561 public schools and 122 private schools. The results show that performance management has a positive and significant effect on performance in private schools, but no significant effect in public schools.

Razaq et.al. (2014) examined KPIs and their impact on the organization's overall performance. Data was obtained from 84 top level management personnel of manufacturing organizations using a structured questionnaire. According to the findings, the key areas of attention for performance assessment in these organizations are customer happiness and delivery dependability. Furthermore, cost, financials, quality, time, flexibility, safety, employee and customer happiness, and social performance all have a positive and substantial influence on total organisational success.

Asad & Mahfod (2015) assessed the PMS in Higher education institutions in Bahrain in order to enhance it. The study employed a descriptive approach, with structured questionnaires distributed to 150 administrative managers and 150 administrative personnel at five public and private higher education institutions. Respondent demographics included age groupings, educational attainments, work experiences, and years in their current positions. The acquired data was analyzed using statistical methods such as correlation analysis and t-tests. The data demonstrated that PMS is successful, and it served as the foundation for establishing a strategic performance management system model for higher education institutions in Bahrain.

Kumar (2019) examined the Relationship between Performance Management and Organisational Effectiveness. The data was obtained from 54 manufacturing organizations using a standard questionnaire. The findings conclude that there is a positive relationship between Performance Management and Organisational Effectiveness.

Efficient Employee Engagement

The engagement plan developed will undoubtedly inspire and have an impact on the employees that want to be active in the company and remain connected, but not everyone will. It is the responsibility of management to ensure that everyone feels engaged. To develop an effective and successful employee engagement plan, one must keep in mind a number of guidelines and principles. The company's policies and regulations serve as a reference for creating the engagement strategy. The engagement approach must not violate or go beyond the company's policies. To show that it cares about its employees' growth and development, the company must support employee development. (Osborne et.al, 2017)

An ineffective employee engagement program may have negative effects on both the personnel of the organisation and their performance. It may lead to employee burnout, which may result in unfavorable health problems and further lower staff productivity. (Ram & Prabhakar, 2011).

An employee has to feel appreciated as a member of the team in order to feel engaged and driven. Today, extrinsic and intrinsic motivation coexist in varying degrees. To sway a person, strategy creators need to strike the right balance between the two. An organisation must treat everyone fairly and have a reasonable recruitment process in order to execute and develop effective engagement methods. To sustain confidence between various

organisational levels of hierarchy, communication must flow transparently. In order to foster relationships that make employees feel a part of the team, all employees must be encouraged to talk to one another. (Evangeline & Ragavan, 2016; Goswami & Goswami, 2018)

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A leader also enlightens others to bring trust in the company culture about engagement and affects the commitment of company towards employee engagement. (McManus & Mosca, 2015). The company must also focus on giving personal time to employees. The strategy must also focus on the work-life balance of employees as employees also need to spend some quality time with their family or pursue personal hobbies and interests. (Bedarkar & Pandita, (2014).

Performance Management System and Employee Engagement

Gupta and Kumar (2012) examined the relationship that is there between the Perception of Performance Evaluation System Fairness and Employee participation in Indian Corporate Sector. According to the data here is a favorable association between the perception of PMS fairness and employee involvement.

Jauhari et.al (2013) conducted a case study on talent management and employee engagement with context to Infotech Enterprises Ltd. The case study focuses on Infotech, a well-known Indian IT firm with a global presence. According to the findings, organizations that can attract and retain outstanding personnel are more likely to succeed. Employee engagement practices that are effective can assist organizations in attracting and retaining top talent. Organisations may establish a workplace where people feel appreciated and inspired to do their best job by giving clear and challenging work, providing opportunity for advancement, and creating a positive work atmosphere. By taking a holistic approach that considers all aspects of employee engagement, organizations can create a workplace where employees are more likely to be engaged and productive.

Dhanalakshmi & Gurunathan (2014) examined Talent Management as a strategy to influence employee engagement through review of academic literature. The study found that an effective talent management strategy will lead to an increase in employee engagement and in turn will lead to high organisational performance.

Employee engagement, regarded as a driving force in talent management, is fueled by the interaction of internal and external elements within an organisation. The efficacy of several environmental elements adds greatly to this resilience. Organisations can improve their reputation and branding among their workforce by deliberately concentrating on employee engagement. In this study, a Ghanaian telecoms business implemented numerous employee engagement initiatives, and their benefits and drawbacks were investigated. The study took a

quantitative method, gathering 137 replies. The findings show that the organization's deployed engagement initiatives were a success. (Kalinannan & Adjovu. 2015)

Sarutan (2016) examined how Performance Management can be used to enhance Employee Engagement by conducting secondary research. It was found that if employee development facilitation, employee involvement and fairness are applied throughout PMS process, it will lead to higher engagement.

Bhatt & Sharma (2019) examined employee engagement as a tool for talent management. Employee engagement is recognized as an important tool for talent management, encouraging employee satisfaction, and eventually lowering turnover rates by forward-thinking organizations. This study sought to delve into the theoretical foundations of employee engagement in order to investigate its role in tackling the worldwide dilemma of talent scarcity. To acquire a better knowledge of contemporary trends in the subject of employee engagement, a comprehensive literature analysis was done that included both academic research and practical insights. Employee engagement was shown to be a holistic notion, comprising physical, cognitive, and emotional components of employee involvement. To demonstrate these elements, a conceptual framework was presented, offering light on how employees might be productively engaged at various levels.

Awan et.al. (2020) examined the effectiveness of PMS through Employee Engagement. A sample of 285 employees from private banks of Pakistan were selected. The findings revealed that PMS and job engagement had a substantial impact on employees' task and contextual performance.

Govender and Bussin (2020) researched about the relationship between PMS and Employee Engagement. The findings suggest that there is a significant positive relationship between both, and it leads to a boost in the organization's performance.

Li Qi & Jia Qi (2021) conducted a secondary study on Talent Management Practices and Employee Engagement with context to GLC in Malaysia. According to the statistics, the bureaucratic involvement, inadequate PMS, high attrition, shortage of talent has an inverse relationship with employee engagement. As a result, this study suggests that the PMS should be fair and just, hierarchy line should be clear, and we should understand the needs of our workforce in order to motivate and retain them by increasing their job satisfaction.

Raman et al. (2022) studied the impact of talent management practices on academic staff performance at Malaysian private institutions, with an emphasis on the mediating role of employee engagement. A sample of 314 academic staff members from universities participated in the study, which used both descriptive and quantitative methodologies. The research findings demonstrated that talent management practices such as succession planning, promotion, and performance appraisal have a substantial influence on employee performance using a questionnaire and structural equation modelling. Furthermore, in the context of Malaysian private universities, employee engagement was identified as a mediator in the relationship between talent management practices and employee performance.

RESEARCH METHODOLOGY

Independent Variable – Performance Management System

Dependent Variable – Employee Engagement

Hypothesis – The alternate research hypothesis (Ha) proposes that implementing an effective Performance Management System (PMS) is positively connected to a considerable improvement in employee engagement levels of employees.

Research Objectives –

- To investigate the existing state of the organization's Performance Management System (PMS).
- To assess employee involvement within the organisation prior to the introduction of the PMS.
- To evaluate the impact of the PMS implementation on employee engagement levels.

Research Design –

1. *Secondary Research* – The first phase of the research entails a thorough review of existing literature, academic publications, industry reports, and credible sources on performance management systems and their impact on employee engagement. This secondary study gave a thorough understanding of key theories, best practices, and empirical evidence on the subject, laying the groundwork for survey instrument design and data analysis.
2. *Survey Design* – The questionnaire is split into two portions and consists of 20 questions. The first portion consists of ten questions designed to assess the efficacy of the Performance Management System (PMS). The second segment contains ten questions addressing various aspects of employee engagement. This structure enables a thorough examination of the relationship between PMS and employee engagement, providing significant insights into the aspects that contribute to a favorable association.

The questionnaire used a Likert Scale of 5 ranging from Strongly Agree to Strongly Disagree.

5	4	3	2	1
Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

The reliability of the questionnaire was determined using the Cronbach's reliability test, which yielded a **Cronbach's Alpha** score of **0.761**. The Cronbach's Alpha result of 0.761 shows that the questionnaire has moderate internal consistency and reliability. This indicates that the questionnaire items are reasonably consistent in measuring the target construct or characteristic.

Reliability Statistics	
<i>Cronbach's Alpha</i>	<i>N of Items</i>
0.761	20

Sampling – Using the purposive sampling technique, a sample size of 150 Personnels from the alcohol industry were chosen for the study. Purposive sampling was used to ensure that particular criteria are met when selecting participants with the required qualities for the study. The questionnaire was distributed electronically, and participants were asked to complete it. This method ensures that the sample has appropriate representation and diversity, ensuring that the study's findings are more useful and informative.

Data Analysis – SPSS was used to analyze data. The statistical analyses listed below were carried out:

- The sample and covariates were described using descriptive statistics.
- Pearson's correlation was used to determine the strength and direction of the relationship between the variables.

RESULTS & INTERPRETATION

Table 1 – Demographic Details of the Respondents

<i>Gender</i>	<i>Number of Employees</i>
Male	74
Female	76
<i>Work Experience (yrs.)</i>	<i>Number of Employees</i>
0 – 1	42
2 – 5	65
6 & above	43

Table 2 – Effectiveness of the Performance Management System

Mean of:	Mean Value
PMS	32.24
Employee Engagement	32.21

The **mean of the Performance Management System** has come out to be **32.34**, which indicates that the employees have a positive perception of their Performance Management System's effectiveness. According to the mean value of Performance Management System, the **PMS is highly effective** for the employees, suggesting that the system serves useful purposes such as goal setting, providing feedback along with tracking the individual and team achievements which is leading to increase in the productivity of the employees and organisational performance.

The **mean of Employee Engagement** has come out to be **32.21** which indicates that the employees have a positive perception of their level of engagement and involvement in the organisation. According to the mean value of Employee Engagement, the **Employee Engagement is high among the employees** indicating that employees feel engaged and connected to their work, colleagues and the organisation which is leading to a healthy, lively and happy work environment.

Table 3 – Correlation Analysis of PMS Effectiveness and Employee Engagement Level

	Emp Eng	PMS
Emp Eng	1	0.66830
PMS	0.66830	1

According to the correlation, there is a considerable favorable association between **Employee Engagement** (Emp Eng) and **Performance Management System (PMS)**. The **correlation value of 0.66830** is close to one, indicating a strong association between the two variables. This indicates that when the performance management system improves, employee engagement is likely to rise as well.

The current study reveals an enthralling positive relationship between employee engagement and the performance management system, validating previous research emphasizing the interdependence of these two essential organisational features. The substantial link demonstrates that an upgrade in the performance management system can lead to increased levels of employee involvement and participation. Employees are more likely to feel appreciated, recognized, and organically motivated to contribute meaningfully to the organization's goals when they see a transparent and equitable performance management system in place.

The association emphasizes the performance management system's critical role in determining employee engagement dynamics. A well-structured and well-executed performance management system enables individuals to link their personal goals with organisational goals, promoting a sense of ownership and dedication to their job. Furthermore, when employees believe their developmental requirements are being satisfied by the performance management system, they are more inclined to be proactive and embrace continuous improvement projects.

CONCLUSION

The current study investigated the association between an Effective Performance Management System (PMS) and employee engagement, with the hypothesis positing that an effective PMS increases employee engagement. This study successfully corroborated the hypothesis through a rigorous analysis of a varied sample of employees, substantiating the critical significance of a well-designed and executed PMS in generating greater levels of employee engagement within the organisation.

This study's findings indicated a strong and statistically significant positive association between an effective performance management system and employee engagement. The data analysis produced a correlation

coefficient close to one, demonstrating a strong relationship between these two crucial organisational elements.

A successful performance management system acts as a catalyst for employee empowerment and intrinsic motivation. Employees develop a sense of ownership over their job and are more likely to devote discretionary effort to achieving organisational aims when they are actively involved in goal- setting and receive frequent feedback on their performance. As a result, a healthy work atmosphere and a culture of accountability and high performance are fostered.

Furthermore, the study emphasizes the necessity of regular performance reviews and developmental discussions, which the PMS facilitates. An effective PMS ensures that employees' professional objectives are aligned with the organization's strategic vision by facilitating open and constructive dialogue between managers and employees. This kind of alignment not only boosts employee engagement, but also the organization's ability to react to changing market needs and ensure long-term sustainability.

The study's conclusions have significant consequences for organizations. They recommend that organizations that seek to boost employee engagement focus on designing and implementing effective project management systems (PMS). This entails developing a PMS that is clear, fair, and connected with the aims of the organisation. It also entails giving employees regular feedback and development opportunities.

In conclusion, this study confirms the hypothesis that an effective performance management system increases employee engagement. The positive association between these two critical elements emphasizes the importance of organizations investing in building and implementing strong PMS frameworks. Organisations can develop a highly engaged and motivated staff in this manner, resulting in increased productivity, lower turnover, and greater overall organisational performance.

LIMITATIONS AND RECOMMENDATIONS

- The sample size and its potential impact on the generalizability of the findings are the key limitations of this study. With only 150 individuals, the study may not adequately portray the numerous qualities and complexities found in larger organizations or across industries. As a result, caution is advised when extrapolating the findings to larger populations. To address this restriction, future research should try to expand sample size and consider including participants from a variety of industries to achieve more valid and applicable conclusions.
- Another drawback is the reliance solely on electronic data collection methods. Employees with better access to technology or who are more comfortable utilizing electronic devices may have been overrepresented in the sample, introducing selection bias. The potential bias could have an impact on the findings' accuracy and representativeness. To address this restriction, researchers can consider using a mixed-method approach that combines electronic surveys with face-to-face interviews or paper-based questionnaires to ensure a more diverse and representative sample that takes into consideration all employees' preferences and access.

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APPENDIX

Questionnaire

Employee Engagement:

1. You feel a strong sense of connection and belonging to your organization.
2. The company actively seeks and values your input, making you feel empowered and engaged in indecision-making processes.
3. You believe the organization fosters a positive work culture that encourages employee engagement and collaboration.
4. The company provides ample opportunities for professional growth and development.
5. You feel supported by your manager and colleagues, which enhances your engagement at work.
6. The organization recognizes and appreciates your efforts and contributions.
7. You have access to the resources and tools you need to perform your job effectively.

8. The organization encourages work-life balance, allowing you to maintain high levels of engagement and well-being.
9. You feel a strong alignment between your personal values and the organization's mission, which increases your sense of purpose.
10. The company promotes a positive and inclusive work environment.

Performance Management System:

1. You feel that a well-designed performance management system helps align individual goals with organizational objectives.
2. The performance management system helps you understand how your work contributes to the overall success of the company.
3. You find the performance management system easy to use and navigate, making it a valuable tool for tracking your progress.
4. The feedback and coaching provided through the performance management system have significantly enhanced your professional growth.
5. You believe that the performance management system promotes fairness and equal opportunities for recognition and advancement.
6. The performance management system helps you identify your strengths and areas for development.
7. You value the performance discussions and goal-setting sessions; they boost your clarity and motivation at work.
8. You believe that an efficient performance management system encourages open communication between managers and employees, fostering a positive and engaged work environment.
9. The performance management system motivates you to strive for excellence and achieve your full potential.
10. You have seen tangible improvements in your performance and productivity since the implementation of the performance management system.