
LINKAGE BETWEEN PERFORMANCE MANAGEMENT PRACTICES AND ORGANIZATIONAL PERFORMANCE: AN EMPIRICAL ANALYSIS IN PRIVATE SECTOR BANKS AT TAMILNADU

B. Vinoth Nagarajan

Ph.D Research Scholar, (Business Admn) Madurai Kamaraj University, Madurai-625 021

Dr. T.R. Jeevapriya

Ph.D., Assistant Professor, Research Department of Business Administration, Sourashtra College (Autonomous), Madurai- 625 004

Dr. B. Anbazhagan

Ph.D., Associate Professor, Research Department of Business Administration, Sourashtra College (Autonomous), Madurai- 625 004

apj.anbu@gmail.com

Abstract

The linkage between Performance Management practices and organizational performance at banks in Tamilnadu are examined by multiple regression analysis. A well structured questionnaire administered to collect data from Managers of the selected branches. The included independent variables are the score of all six PM practices at banks whereas the included dependent variable is the level of organizational performance. The changes in the included six variables (PM practices) explain the changes in the organizational performance at banks to an extent of 73.48 per cent.

Keywords: Performance Management Practices, Banks, Organizational performance, Linkage.

INTRODUCTION

The Indian Banking sector met a lot of changes and modernization especially after the introduction of banking sector reformation (Das, 2004). The private sector banks and foreign banks are allowed to enter into the banking field. The public sector banks have been exposed to hectic competition from the new banks with latest technology (Ganesan, 2001). Even though the banks are offering uniform banking services, they are in a position to differentiate their services from other banks (Gupta and Jain, 2003). Hence, the banks differentiated their operation with new technology, automation, e-banking services, innovative products & services and new style of management (Kantawala. 2004). The success of banks rests on their performance in the banking market (Reddy, 2004). Hence, the banks have applied so many practices related to performance management in order to enrich the productivity of their banks and their employees (Sinha, 2006). The banks implemented this performance management aspects in a better way are easily competing others and enrich their productivity (Balaji and Kumar, 2017). With this scenario, the present research work focuses on the linkage between performance management practices and organizational performance at banks in Tamilnadu.

PERFORMANCE MANAGEMENT-PRACTICES (PMP)

These are the systematic procedures to communicate the employees regarding what is expected from them by the organization (Medison, 2016). Beawel (2007) and Jackson (2009) defined the PMP as an activities such as knowing what goals are and how they are measured, performance evaluation, performance feedback, incentives based on performance evaluation, planning of career motivation, training and development. These activities help to improve the choosing of goals that are precise, achievable, as well as goals owned by the employees (Armstrong, 2008). The effective PMP replicate some code of conduct and harmonize on the diversity of their work force (Bloom et al., 2017). The PMP at the banks are executed by several steps namely goal setting, fixing key Responsibility Areas, performance appraisal and feedback mechanism (Keserwanti et al., 2015).

ORGANIZATIONAL PERFORMANCE

The organizational performance is the performance of an organization which is represented at various dimensions (Rainey, 2003). It covers the Quantity of output, quality of output, cost efficiency, formal effectiveness customer satisfaction and financial facts (Chun and Rainey, 2005). The performance management is closely associated with the organizational performance (Boyne and Chen, 2007). Andrews et al., (2009) supported the linkage between the PMP and organizational performance. In the case of banking industry, it is empirically proved by Faisal et al., (2021) and Swati (2020).

REVIEW OF LITERATURE

Karimi et al (2017) pointed out the importance of performance management in improving the bank performance. Obisi (2011) revealed the need for continuous assessment and enrichment of employees productivity. Aguinis et al., (2011) noticed the performance management as the key element for organizational success. Moynihan and Pandey (2010) mentioned the information related to performance improvement always help the employees to perform well. Rao et al., (2020) showed the significant positive impact of PM on organizational performance. Mangipudi et al., (2019) noticed the functional relationship between PM and organizational performance. Babu and Suhasini (2017) mentioned that the PMP is an effective tool for the implementation of talent management.

OBJECTIVES OF THE STUDY

With this background, the present study focuses on the following objectives:

- To measure the level of implementation of performance managerial practices at banks and its organizational performance; and
- To evaluate the linkage between the performance managerial practices at organizational performance at banks.

Research Methodology

In order to fulfill the objectives of the study, the included population of the study is the private sector commercial banks at Tamilnadu (Managers of the branches). In total, there are 1740 old and 1712 new private sector banks in Tamilnadu. All the 3452 bank branches are taken as the population of the study. The sample size of the study is determined by the formula of $n = \frac{N}{N^2 + 1}$. The sample size came to 359 when the 'e' is 0.05. These are proportionately divided for old and private sector banks. Hence the sampled old and private sector banks came to 181 and 178 respectively. The sampled bank branches are selected at lottery method.

The closed ended structured questionnaire with five point Likert's scaling technique has been used to measure two constructs namely PM practices and organizational performance at banks. The content validity and Cronbach alpha of the above said constructs are tested with the help of pilot study before finalizing the questionnaire. Since these two tests

show good reliability and internal consistency (George and Mallery, 2003) through its composite reliability and alpha value (>0.60 and > 0.70), the final draft of Questionnaire have been confirmed. The Questionnaire has been sent to the branch managers of the sampled banks. The overall response rate on the questionnaire is 45.12 per cent (162). These questionnaires have been included for analysis of Data processing. The SPSS-21 version of software is used to analyze the data.

ANALYSIS AND INTERPRETATION OF DATA

Initially, the attempt has been made to measure the normality of data in the two constructs namely performance management practices and the organizational performance with the help of skewness and kurtosis. The mean, standard deviation and coefficient of variation of these two constructs are estimated separately in order to exhibit the level of implementation of performance management practices and organizational performance at banks. The results are given in Table.1

Table.1 Direct and indirect effects of employee engagement on organizational success

Sl. No.	Constructs	No. of Variables	Mean	Standard deviation	Coefficient of variation in %	Skewness	Kurtosis
I Performance Management Practices							
1.	Performance intention	7	3.2144	0.4941	15.37	-1.1723	-1.0894
2.	Self evaluation practices	7	3.1933	0.5246	16.43	-0.8944	-0.6882
3.	Performance Management procedure	7	3.2994	0.6249	18.94	-1.3809	-1.1979
4.	Performance evaluation practices	6	3.3884	0.5084	15.00	-1.4554	-1.2084
5.	Training practices	5	3.3909	0.6117	18.04	-2.0411	-1.8173
6.	Rewarding Practices	3	3.4117	0.6334	18.57	-2.1171	-1.8094
II Organizational performance							
1.		10	3.2089	0.7249	22.59	-1.6686	-1.4446

The above table reveals that the level of implementation of PM practices at banks are at the above average level since the mean scores of PMPs are greater than 2.5. The highly implemented practices are training practices and performance evaluation practices with the mean of 3.3909 and 3.3884 respectively. The same trend is noticed in the level of organizational performance since its mean score is 3.2089. The range of skewness and kurtosis of all independent and dependent variables is between -3 and +3 which shows the normality of data for further analysis (Hair et al, 2006).

LINKAGE BETWEEN PM PRACTICES AND ORGANIZATIONAL PERFORMANCE

The linkage between PM practices and organizational performance at banks are examined by multiple regression analysis (Jawahar, 2006). The included independent variables are the score of all six PM practices at banks whereas the included dependent variable is the level of organizational performance. The ordinary least square method is adopted to estimate the regression coefficient (Kumar, 2011). Before the execution of multiple regression analysis, the freeness from multi-collinearity problem among the independent variables are tested by variance Inflation Factor (VIF) and Tolerance level acceptance criterion are greater than 5.0 and lesser than 0.20. (Morse et al., 2007). The result of multiple regression analysis is shown in Table.2

Table 2 The linkage between PM practices and organizational performance

Sl. No.	Particular	VIF	Tolerance level	Unstandardized coefficient	Standard error	't' value	Significant.	Beta value
	Content	-	-	4.1173	0.0811	50.77	0.0000	-
1.	Performance criterion	6.1244	0.1633	0.2144	0.1733	1.2371	0.1889	0.1844
2.	Self evaluation practices	5.9304	0.1686	0.1408	0.1514	0.9299	0.2673	0.1173
3.	Performance management procedures	5.2055	0.1921	0.1339	0.1239	1.0807	0.2044	0.1102
4.	Performance evaluation practices	6.8414	0.1462	0.2349	0.0543	4.3259	0.0244	0.2142
5.	Training practices	6.3082	0.1585	0.1908	0.0309	6.1747	0.0000	0.1639
6.	Rewarding practices	5.3141	0.1882	0.2417	0.0473	5.1099	0.0000	0.2173

Coefficient of Determination (R^2): 0.7348.

F-value and its 'p' value : 14.0896; 0.0179.

The above Table shows that the estimated regression model is valid to reveal the cause and effect relationship between PM practices and organizational performance since the 'F' value is significant at two per cent level. The changes in the included six variables (PM practices) explain the changes in the organizational performance at banks to an extent of 73.48 since its R^2 is 0.7348. The remaining 26.52 per cent of changes in organizational performance is explained by some unknown variables not included in the study. The same is confined by the significance of constant (4.1173) value at zero per cent level.

Out of six performance Management practices, only three practices namely performance evaluation practices, training practices and rewarding practices are significantly influencing the level of organizational performance since its 't' values are significant at 5 per cent or less than 5 per cent level. The most influencing PM practice on the level of organizational performance at banks is rewarding practices since its beta value is 0.2173. It is followed by performance evaluation practices and training practices since its beta values are 0.2147 and 0.1639 respectively. The linkage analysis reveals the importance of implementation of PM practices especially performance evaluation, training and rewarding practices for the upliftment of organizational performance at banks.

CONCLUDING REMARKS

The present study concludes that the rate of implementation of performance management practices at private sector banks at the moderate level. The banks better implement the practices are reaping better organizational performance. This is evidenced by multiple regression analysis. The important practices are evaluation, training and rewarding practices. Based on the performance evaluation, the employees are trained by the banks and the rewards are fixed on the basis of the employee performance. It produces a better result in the level of organizational performance at banks.

REFERENCES

- [1] Aguinis, H., Joo, H and Gottfredson, R.K., (2011), "Why we hate performance management - And why wer should love it," **Business Horizons**, 54(6).
- [2] Armstrong, D., (2014), Management practices systems, Productivity, and motivation, public management, 31(2).

-
- [3] Babu, T.N and Subasini, N., (2017), "Performance Management-Effective tool for talent Management," International conference Emerging trends in engineering, technology, science and Management.
- [4] Beadwell, D., (2017), "Creating a performance culture", Thousand oaks: CA: Sage.
- [5] Bloom, W, Dorgan, F, Dowdy V and Van Peenen, M., (2017), "Improving employee performance through appraisal and coaching, 2nd ed. New York: NY: American Management Association.
- [6] Ch. Balaji and Praveen Kumar (2017), "Performance evaluation of selected public and private sector banks in India: An Application of CAMEL model," International Journal of Research in IT and Management 7(3).
- [7] Das, M.R., (2004), "An objective method for ranking nationalized bank," Prajnan, 31(2),
- [8] Ganesan, P., (2001), "Determinants of profits and profitability of public sector banks in India: A profit function approach," Journal of financial management and analysis, 14(2).
- [9] George, D and Mallery, P., (2003), "SPSS for window step by step: A simple guide & reference 11.0 update", 4th edition, Boston: Allyn & Bacon.
- [10] Hair, J. F., Black, W.C, Bahin, BJ, Anderson, R.E and Tatham. RL., (2006), Multivariate Data analysis, 6th edition, Pearson education, Inc.
- [11] Jackson, S and Schuller, R., (2012), "Managing Human Resources through Strategic Partnership", (8thedi), Toranto, Canada: Thumpson.
- [12] Jawahar, I.M., (2006), "Correlates of satisfaction with performance appraisal feedback," Journal of Labour research, 27(2).
- [13] Kantawala Anita, S., (2004), "Banking sector reforms: An impact analysis", The ICFAI Journal of bank Management, 3(2).
- [14] Karimi, R., Malik, M and Hussain, S., (2011), "Examining the relationship of performance appraisal system and Employee satisfaction", International Journal of Business & Social Science, 2(22).
- [15] Kesarwathi, M., Singh Lakhawat, D and Vishwakarma, M., (2015), "Review study on performance management practices in Indian banking industry," International Journal of Education and Science Research Review, 2(6).
- [16] Kumar, R., (2011), Research Methodology: A step-by-step guide for beginners: California: Sage.
- [17] Madison, J., (2016), "Performance Management Revolution," Harvard Business Review, October.
- [18] Mangipudi, M.R. Prasad, K.D.V and Vaidya, R., (2019), "Employee performance as function of performance Management system: An empirical study information technology Enabled service companies around Hyderabad," European Journal of business and Management research, 4(4).
- [19] Morse, J.M, Banett, M, Mayan, M, Olson, K and Spiers, J (2002), "Verification strategies for establishing reliability and validity in Qualitative research," International Journal of Qualitative Methods, 1(2).
- [20] Moynihan, D.P and Pandey, S.K., (2010), "Testing how management matters in an era of government by performance management," Journal of public Administration research and Theory, 15(3).
- [21] Mruthyanjaya Rao Mangi pudi, KDV Prasad, Rajesh W. Vaidya and Budurmuru Manalidhar (2020), "Evolution of performance Management systems and the impact on organizations approach: A statistical perspective," International Journal of Management, 11(5).
- [22] Muhammod, Faisal, Umar Faryaz, Qamber Ali and Sana Khan (2021), "Impact and analysis of performance appraisal on Employees motivation and its effects on employees retention in banking sector in COVID-19," European business & Management.
- [23] Obisi, C., (2011), "Employee performance appraisal and its implications for individual and organizational growth," Australian Journal of business & Management research, 1(9).

-
- [24] Reddy, A. Amarender (2004), "Banking sector Liberaization and efficiency of Indian banks," The ICFAI Journal of Journal of bank Management, 3(2),
- [25] Sinha, R.P., (2006), "Spread efficiency of Indian commercial banks," The ICFAI Journal of bank Management, 5(4).
- [26] Sinha, R.P., (2007), "Asset Quality profile of Indian commercial banks: Aschstartic Frontier Approach," The ICFAI Journal of Financial Risk Management, 4(3).
- [27] Swati, Tiwari (2020),"A Critical analysis on the effectiveness of the performance appraisal system of the private banks in Jaipur," International Journal of recent technology and engineering, 9(1).[