

Original Article

A Study on Performance Management System with Reference to Manufacturing Companies

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ABSTRACT: *This research aims to analyze the effectiveness of the Performance Management System (PMS) in manufacturing companies in Vapi. The study focuses on employees' awareness, understanding, participation in goal setting, performance reviews, feedback, fairness, rewards, and overall satisfaction with the PMS. Data were collected through a structured questionnaire from 110 employees, and responses were measured on a Likert scale ranging from Strongly Agree to Disagree. The analysis indicates that the majority of employees are aware of PMS objectives, actively participate in goal setting, and receive regular performance feedback. Most respondents perceive the PMS as fair, motivating, and linked to career growth and training opportunities. The findings suggest that the current PMS framework effectively supports performance evaluation, employee development, and organizational productivity. The study provides insights for further enhancing PMS transparency and alignment with employee expectations.*

KEYWORDS: *Performance Management System (PMS), Employee Perception, Employee Satisfaction, Goal Setting, Performance Feedback, Fairness, Employee Development.*

1. INTRODUCTION

A Performance Management System (PMS) is a set of practices used by organizations to track and align individual performance with organizational goals through goal setting, monitoring, feedback, and reward. A PMS that actually works encourages fairness, inspiration, and productivity. This is a study of PMS in manufacturing companies in VAPI to understand how employees perceive, are aware of, and are satisfied with the implementation of PMS. The objective is to assess its efficiency and to find ways to improve in order to maximise the motivation of your employees and work on the successful functioning of the organization.

2. PROBLEM STATEMENT

In many organizations, implementing a Performance Management System (PMS) is often challenged by limited employee awareness, unclear goal setting, inconsistent feedback, and perceptions of fairness. Without an effective PMS, employee performance evaluations may lack transparency and motivation, affecting overall productivity and career growth. This study seeks to identify how employees perceive and experience the PMS, evaluate its effectiveness, and highlight areas where the system can be improved to enhance performance, engagement, and professional development.

3. OBJECTIVES

- To study the concept of the Performance Management System.
- To understand the process of the Performance Management System in manufacturing companies in Vapi.
- To understand employees' perceptions and satisfaction with the current PMS in manufacturing companies in Vapi.
- To identify the challenges faced by employees in the implementation of the Performance Management System in manufacturing companies in Vapi.

4. LITERATURE REVIEW

A literature review is a critical and systematic summary of previous research related to a particular topic or research problem. It helps to understand what is already known, what theories and methodologies have been used, and what gaps or inconsistencies exist in the current knowledge.

Adarsh Rath explains that the Performance Management System has gradually shifted from traditional appraisal methods to a more strategic and continuous approach. Modern PMS focuses on regular feedback, alignment of employee goals with organizational objectives, and long-term development. The review also identifies challenges such as resistance to change, lack of clarity in evaluation standards, and inconsistent feedback. Rath concludes that leadership support, communication, and employee involvement are necessary to make PMS successful and effective.

Harefa, Santoso, &Fuadah (2025) state that PMS is no longer limited to annual ratings but has become a continuous process aimed at improvement and development. They found that employees perform better when expectations are clear and when they participate in goal setting. Such involvement increases motivation and engagement. The authors also suggest that PMS should suit the culture of the organization and treat employees as partners. Although digital tools are recognized as important, they are not discussed in depth.

Jain &Gautam (2016) compared PMS practices in public and private sector manufacturing organizations. Their study aimed to understand differences in flexibility, structure, and outcomes. Results showed that private sector companies follow more dynamic and development-focused systems, which are strongly linked to career growth and motivation. Employees in private firms reported higher satisfaction because of clearer goals, regular feedback, and better recognition practices.

Kumar (2019) examined the connection between PMS and organizational effectiveness in Indian manufacturing enterprises. The study revealed that a properly designed PMS helps employees understand their roles, align personal targets with company goals, and improve performance. This alignment ultimately strengthens overall organizational results. However, the research mainly focuses on management perspectives and gives less attention to employee feelings and engagement.

Kumar and Nirmala (2015) explored how PMS can be implemented in small and medium enterprises through a case study approach. They proposed a framework that includes setting key performance indicators, mapping competencies, and conducting periodic reviews. The study emphasizes that communication and transparency increase employee motivation because people understand how their performance is measured. Since the research is based on one case, its applicability to all SMEs may be limited.

Sahu, Jena, &Parida (2016) investigated whether PMS can predict organizational effectiveness in manufacturing industries. Their findings suggest that PMS improves planning, communication, and employee development. They highlight that fairness and transparency are critical, especially when PMS is linked with training and reward systems. If employees perceive bias or confusion, performance levels may decline; when trust is built, results improve.

Bharti (2024) discusses the rise of PMS in India after globalization increased market competition. The study notes that while companies may share similar technology and infrastructure, human performance becomes the real competitive advantage. Many organizations have therefore adopted performance-driven cultures where PMS influences compensation, rewards, and development. Objective and measurable standards are seen as necessary for maintaining fairness and continuous improvement.

Vijaya Lakshmi &Sarkar (2025) focus on how PMS can enhance productivity and engagement in manufacturing industries. They argue that PMS should help employees grow rather than only judge them. When systems are aligned with company values and employees understand their contribution to goals, commitment increases. The authors recommend clear targets, technology-based tracking, and integration with training programs. Role clarity is highlighted as a key requirement for effectiveness.

R. K. Sahu presents PMS as a method for connecting individual performance with strategic objectives. The book explains stages such as planning, monitoring, appraisal, and continuous feedback, with strong attention to development. Practical tools like 360-degree feedback, KRAs, and competency mapping are suggested to strengthen accountability. Real examples demonstrate how PMS can be customized to different organizational situations.

Herman Aguinis offers a research-oriented and globally relevant approach to performance management. He describes the entire cycle from planning to review and emphasizes fairness, transparency, and employee engagement. The book also covers new themes such as diversity, remote work, and technology-supported evaluation. With models and applications, it serves as a valuable reference for both academics and practitioners.

5. RESEARCH METHODOLOGY

Research methodology refers to the systematic plan and approach used to conduct research. It encompasses the methods, techniques, and procedures employed to gather, analyze, and interpret data. The methodology provides the framework that guides the entire research process, ensuring the findings are valid, reliable, and scientifically sound.

TABLE 1 Research Methodology of the Study on Performance Management System

Topic	A Study on Performance Management System
Research Design	Exploratory & Descriptive
Sample Size	110 Employees of the company
Sampling Method	Convenience and Snowballing
Research Instrument	Questionnaire and Observation method
No. of Questions	25

Analysis Tools & Methods	Percentage Analysis and Bar Chart
Respondents	110 Employees

6. DATA ANALYSIS

Performance management is the systematic process by which the Department involves its employees, as individuals and members of a group, in improving organizational effectiveness in the accomplishment of agency mission and goals.

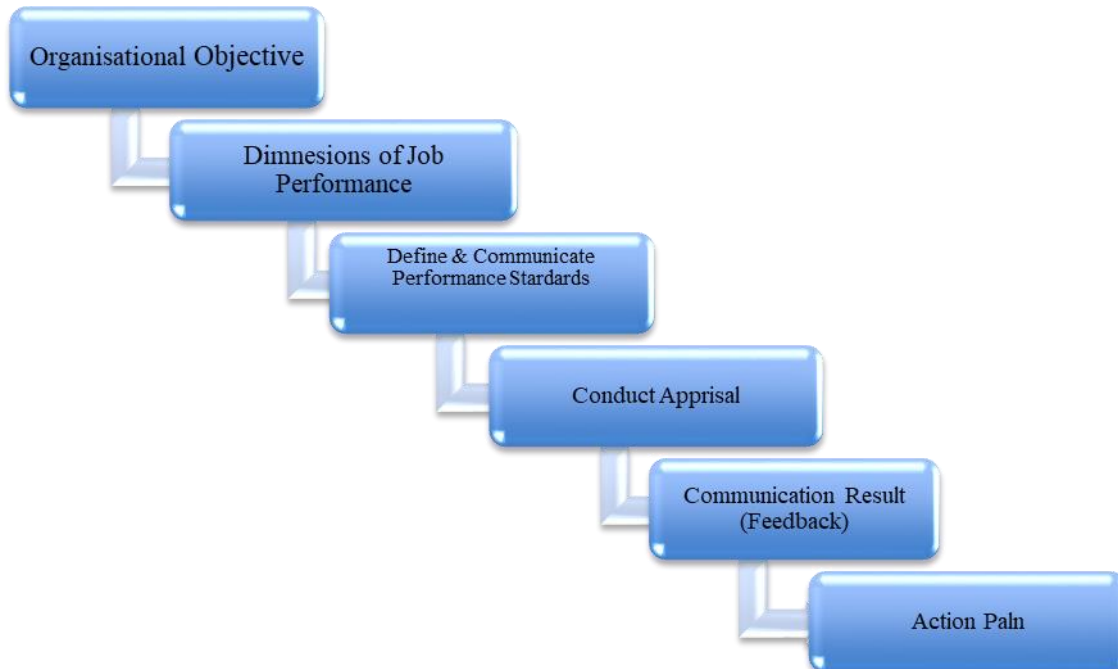


FIGURE 1 PMS Process

TABLE 2 Employee Perception Towards Performance Management System

Dimensions	Disagree	Neutral	Agree	Strongly Agree
Understanding and Clarity of the Performance Management System.		9	93	8
Communication and Participation in Performance Goal Setting	5	20	81	4
Regular Performance Review and Effectiveness of Feedback		5	79	26
Fairness and Equal Treatment in the PMS	3	5	93	9
Rewards, Recognition, and PMS Linkage	2	4	97	7
Role of PMS in Training Needs Identification and Career Growth		8	97	5
Motivation, Continuous Improvement, and Accuracy of PMS	1	5	100	4
PMS Alignment with Organizational Goals, Vision, and Mission		1	99	10

TABLE 3 Statistical Analysis of PMS Dimensions

Dimensions	Mean	Median	Mode
Understanding & Clarity of PMS	2.99	3	3
Communication & Goal Setting	2.76	3	3
Regular Review & Feedback	3.19	3	3
Fairness and Equal Treatment	2.98	3	3
Rewards, Recognition & Linkage	2.99	3	3
Training & Career Growth	2.97	3	3
Motivation & Accuracy of PMS	2.97	3	3
Alignment with Org Goals	3.08	3	3

The Mean (Average)

Most dimensions hover right around 3.0, suggesting that the average sentiment is "Agree." The highest satisfaction level is found in Regular Performance Review and Effectiveness of Feedback (3.19), while the lowest is in Communication and Participation in Performance Goal Setting (2.76).

The Median (Middle Value)

Since there are 110 responses, the median is the average of the 55th and 56th values. In every single dimension, the cumulative frequency reaches the 55th respondent within the "Agree" (3) category. Therefore, the Median for all categories is 3.

The Mode (Most Frequent)

The mode is the value that appears most often. In every dimension, the "Agree" column has the highest frequency (ranging from 79 to 100). Therefore, the Mode for all categories is 3.

7. CHALLENGES EXPERIENCED WITH THE CURRENT PMS

TABLE 4 Challenges and Concerns Identified in the Employee Performance Appraisal Process

Particulars	Frequency
Bias or favouritism in appraisal	1
Inadequate communication about the process	2
Lack of timely feedback	5
Lack of timely feedback; Inadequate communication about the process	1
Lack of timely feedback; No proper link to reward or promotions	1
Unclear performance goals	1
Unclear performance goals; Inadequate communication about the process	1
Unclear performance goals; No proper link to reward or promotions	1
None of the above	97
Grand Total	110

8. FINDINGS

The mean, median, and mode values show that employees have a generally positive view of the Performance Management System, as most mean scores are close to 3. The highest satisfaction is seen in regular review and feedback (3.19), while the lowest is in communication and goal setting (2.76). Other areas like understanding, fairness, rewards, training, and motivation have mean values around 3, showing moderate agreement but scope for improvement. The mean value for alignment with organizational goals (3.08) shows that the system is connected with company objectives.

The median and mode for all the dimensions are 3, which shows that most employees have selected "Agree," and the responses are consistent.

9. RECOMMENDED MODEL

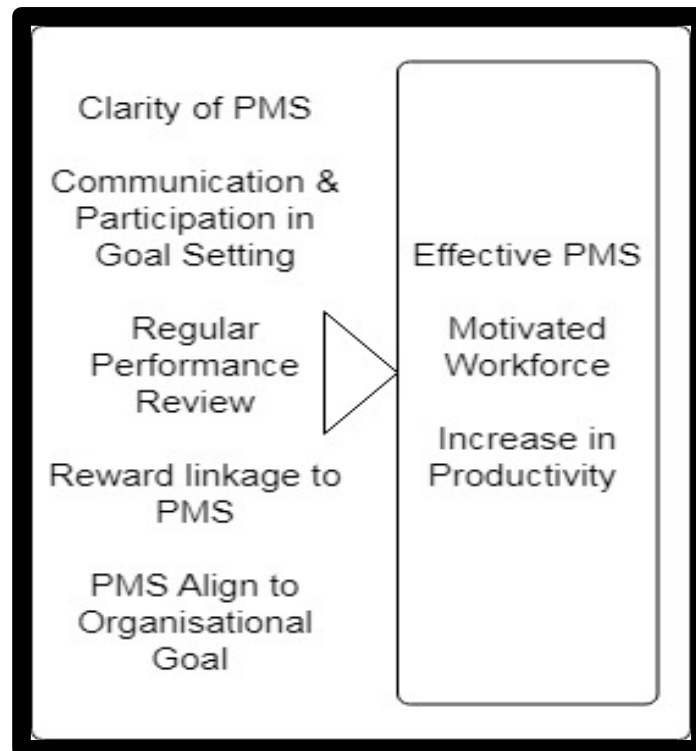


FIGURE 2 Impact of PMS Practices on Employee Productivity

The provided model illustrates that an Effective Performance Management System (PMS) acts as a strategic bridge between organizational design and operational success. On the input side, the model emphasizes that for a PMS to be functional, it must be built on transparency and collaboration, specifically through clear communication, participative goal setting, and regular feedback loops. The system maintains a sense of fairness and purpose by linking individual performance to both organizational goals and real rewards. While an effective PMS does incorporate a management process, it creates a structured management process that turns motivation into manpower and tangible productivity gains through the school mantras offered by top-performing organizations that inspire professionals who have been conditioned since birth.

10. CONCLUSION

The Performance Management System is an essential link between employee performance and organizational goals, according to the study. Generally, even the employees have also referred to being satisfied with it, mainly for providing regular feedback and performance reviews.

Though there are certain aspects like communication, participation of employees in goal setting, and career progression that still need improvement. While overall the system works well, it could be a better tool for transparency and utility of employees as well as management if improved upon. The study found that PMS provides a critical link between the performance of the employee and what is desired by the organization. PMS is perceived to help in career development, goal-setting, and ensuring the performance review occurs at intervals.

Yet the results also pointed to deficiencies, such as resolving biases in evaluating performance and improving how well managers communicate expectations regarding performance, as well as a clearer connection between PMS outcomes and employee training or reward. The conclusion reached is that employees feel relatively positive about the current PMS, but changes (and improvements) are needed in order to adapt to evolving organization requirements and employee expectations. Following the recommended enhancements, the PMS of the company can become clearer, more motivating, and more conducive to higher employee productivity and organizational growth.

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