THE IMPACT OF PERFORMANCE MANAGEMENT FOR EMPLOYEE ENGAGEMENT IN THE EMERGING SME'S IN THE INFORMATION TECHNOLOGY SECTOR WITH SPECIAL REFERENCE TO MYSORE CITY

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ABSTRACT

The performance evaluation process in the context of the information technology sector can be considered a set of instruments or tools used to achieve the organization's overall objective. The present study attempts to analyze the impact of the effective performance evaluation process with different factors on employee engagement in SMEs, IT sector in Mysore. It attempts to create a model for performance evaluation and employee engagement, particularly SMEs in India's IT sector.

The analysis has established the significant relationships of the effectiveness of the impact of the performance evaluation process on employee engagement: a study of SME's in the information technology sector. The results also indicate that the Performance evaluation process has a significant and positive impact on employee engagement.

Key Words: Performance appraisal, Employee Engagement, information technology (IT), HR practices

INTRODUCTION

In the present-day globalized business scenario, businesses have become highly competitive. "Either shape up or ship out" is the guiding principle companies to adhere to religiously. Businesses are as good as the people behind them. The two essential segments of people behind businesses are the management and staff. While the administration defines the road map, the staff must ensure that the company runs along the lines laid down in the road map. This necessitates constant appraisal of the performance of the team by the management. While underperformers need to be corrected, better performers need to be encouraged. At times, the command may have to follow a carrot and stick approach in the overall interest of the business. This makes it necessary to devise ways and means of appraising the performance of the company's staff since the company's performance as a whole is a function of the performance of the team concerned. Good performers work skillfully and, by extension, professionally. Their professional approach to work ensures that the company they work for becomes thoroughly professional.

Professionals ensure increased productivity, thereby ensuring that the company as a whole achieves increased productivity. This is all the more relevant in the case of the information technology (IT) industry, particularly from the Indian perspective. The Indian IT industry is export-intensive, its domestic market accounting for a tiny proportion. Being heavily dependent on the export market, its output has to be competitive on quality and price. Being knowledge-based, the IT industry's intellectual capital as represented by its human resource (HR) is as necessary as, if not more important than, the financial capital. Hence the IT industry of the country should be characterized by thorough professionals, ever sensitive to the complex and changing dynamics of the industry across the world and therefore ever staying abreast of all the latest developments in the field. This facilitates the professional growth of IT companies.

As Mbiti (1994) rightly remarks, human temperament gives rise to the need to appraise employees. It is natural for the employer-company to ascertain how good or otherwise the employee's performance on its payroll and whether the employee is worth the payroll. The employer-company expects the employee concerned to generate the income that is far more than what the company pays the employee by way of salary. For example, Quchi (1997) points out that many companies in Nigeria conduct performance appraisals, although their level of sophistication is debatable. The relevance of performance appraisal has been

convincingly brought out by Strebler (1997), Akinyele and Obamiro (2005). They assert that performance appraisal has emerged as a vital attribute of a business. One cannot agree more with the researchers' assertion, particularly in the IT industry where HR can make or mark an IT company. Against this backdrop, this study seeks to ascertain the impact of the performance appraisal exercise on employee/staff productivity. Since employee/staff productivity, in turn, impacts the growth of businesses, which in the present study happens to be IT companies, the said impact is also to be gauged by the survey.

LITERATURE REVIEW

PERFORMANCE APPRAISAL:

R.Poovitha 1, D.Ambika 2, B.Lavanya3 (2018) Their main purpose of the research is to review the main performance measurement frameworks and the performance management and the appraisal executed in the current scenario.

Neeraj Kumari (2017)

In her study, she has studied and analyzed Performance Management components and their usage in IBM. The study entailed detailed examination of the methods to measure and enhance performance management system against its objectives.

Tsai and Wang (2013) saw performance appraisal as one of the most critical tools for managers to assess the performance of employees.

(Jain & Garg, 2013) Performance Appraisal systems helps the organization to accomplish their mission and vision by judging effectiveness of the employees i.e. recruitment, selection, training and development

Coens and Jenkins(2002) that performance appraisal is necessary in organizations to judge, rate and illustrate employee's work attitude or qualities for a specific time period and results are kept confidential by the organization.

According to DeNisi and Pritchard (2006), performance appraisal is a diagnostic tool for evaluating employee performance against set objectives with a view towards identifying their potentials for improvement and development.

Kahn (1990) suggested that engagement involves "the harnessing of organizational members' selves to their work roles; in engagement people employ and express themselves physically, cognitively, and emotionally during role performances" .

Schaufeli et al.'s (2002) view of engagement as conceptual opposite of burnout and as a positive fulfilling, work-related state of mind that is characterized by vigor, dedication and absorption.

Maslach and Leiter (2008) modeled engagement as an antipode of burnout (exhaustion, cynicism and inefficacy). They, however, did not use multi-factor conceptualization of justice and used a six-item scale to measure fairness.

Ben LeVan, (April 2017) This study examines the long-standing debate among scholars and practitioners regarding the effectiveness of the performance appraisal (PA) process as a useful tool to manage individual and organizational performance

Dr.D.B.Bagul (2013) studied the attitudes of the employees towards performance appraisal in SEMCO ELECTRIC PVT LTD, Chakan. He suggested 360 degree feedback model and reduce the parameters in evaluation with higher officials and opined that appraisals must be simpler and shorter.

Amit Hole and Dr. Ashutosh Misal (2013) found out Employees who work related with sale of insurance policies in private sector general insurance companies is performing good than employees who work related with sale of insurance policies in public sector general insurance companies.

Dirk Sliwka & Christian Grund (2006) conduct a study on "Performance Pay and Risk Aversion". The study indicates that risk aversion has a highly significant and substantial negative impact on the probability that an employee's pay is performance contingent.

Amie Farrell (2013) mentioned that the finding of the study revealed that overall the employees were happy with having to complete performance appraisal by knowing the benefits they receive like rewards and promotions at NALCO.

ENGAGEMENT ENGAGEMENT

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SIGNIFICANCE:

The intention behind this study was to help the SME's, IT sector in Mysore, formulate a better performance appraisal system with different factors that enhance employee engagement with mediating factors like job satisfaction, employee commitment, and OCB of an employee in the SMEs IT sector in Mysore. The companies need to focus on this and find newer and better ways to engage their employees, which will lead to an increase in productivity and retention of their workforce.

From the study, it can be found out that the performance appraisal system plays a crucial role in the organizationof. This study can also help employees in the organization to have a clear idea about how this performance appraisal system works. Also, it was apparent that a well-designed performance appraisal process can significantly increase the job contentment among the employees, which may positively influence their performance to result in overall organizational development. Hence,(Chan, Y. L et al. (1991) the organizations need to design an effective performance appraisal system to Employees' Recital Review, which would be a valuable strategy to motivate and enhance their performance and retain them to increase the organizational performance.

STATEMENT OF PROBLEM

India is the world's largest sourcing destination for the Information Technology (IT) sector. The IT companies are witnessing an unprecedented change in terms of the global nature of work and the diversity of the workforce. Organizations can be innovative only through practical Human Resource Management functions since it plays a critical role in acquiring and maintaining a talented workforce. (Nancy R. Lockwood, 2006) Among a range of HRM functions, the Performance Appraisal System plays a significant role in identifying and maintaining a talented workforce. Performance Appraisal is the most effective indispensable tool for an organization (Dr Prachi Singh & Shilpi Gupta, 2013). It provides room for gathering information to decide the promotion and other merit increases of the employees. (Abraham Zewdie Bekele & et al, 2014) A performance appraisal system can be effective only when the employees perceive that they could gain good prospects. However, in any organization, whether large or small, the process of performance appraisal plays a pivotal role. They need employees who are flexible, innovative, willing to contribute and work beyond their formal job descriptions or contracts of employment. The ability to attract, engage, develop and retain talent will become increasingly important for gaining a competitive advantage. The IT companies are in search of new ways to engage their employees. Employee engagement is the state in which individuals are physically, emotionally and intellectually committed to the organization. Employee engagement includes long-term emotional involvement and is an antecedent to more temporary generalities of employee sentiment, such as job satisfaction, commitment and organizational citizenship behavior. Engaged employees come to work every day feeling a connection to their organization, have a high level of enthusiasm for their work and perform at high levels.

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Initially, the organizations need to identify the key drivers of engagement to increase engagement among their employees. The literature review shows that the prominent drivers of employee engagement are performance planning, reviewing, feedback on performance, rewarding good performance and performance improvement plans. Hence, these factors are considered to study the impact of the performance appraisal on employee engagement among IT employees in Mysore.

Lots of research states a positive relationship between performance appraisal and employee engagement in different industries like automobile, Healthcare, banking sector, Etc. However, still, only limited research is done in SMEs, IT sector in Mysore. This research examines the impact of Effective performance appraisal with different factors on employee engagement in SMEs and the IT sector in Mysore.

OBJECTIVES OF THE STUDY:

1. To analyze the impact of performance appraisal management system on employee engagement in SMEs, IT sector.
2. To understand the various factors of the performance appraisal management system used in engaging employees in SME's and IT sectors.
3. To understand the relationship between the performance appraisal management system factors and employee engagement factors in SMEs in IT Sectors.
4. To analyze the impact of demographics variables on employee engagement in SME's, the IT sector.
5. To make recommendations on how to improve performance appraisal management system by SME's, IT sectors Mysore.

RESEARCH DESIGN

The design of the study is quantitative, and data will be collected from a cross-sectional survey similar to the work of Ghosh et al. (2014), He et al. (2014), Saks (2006), and Volpone et al. (2012) in their studies of predictors of employee engagement.

Bryman and Bell (2011) noted three benefits of quantitative research and the use of measurements to analyze data:

 (a) *The height allows one to assess even subtle differences between people regarding the focal variable,*

(b) The size makes such assessment more consistent, and

(c) *Measure lends precision in estimating relationships between variables.*

Furthermore, a quantitative design was deemed appropriate given the limited empirical data in the literature examining the relationship between PA reactions and employee engagement. While numerous articles point to the shortcomings of the PA process (Glover, 1996; Gruman& Saks, 2011; Kondrasuk, 2012; Light, 2010; Pulakos& O'Leary, 2011; Thomas &Bretz, 1994), at the time of this writing, only one by Volpone et al. (2012) was found to have measured the relationship between PA reactions and employee engagement.

Sampling Design - The employees working in the IT sector in Mysore is the target population. Considering the time factor for the study, the sample consists of companies only in Mysore. The people of the employees working in this sector is very vast. Therefore, to get a clear understanding of the employee engagement practices in the industry, a sample size of 270 has been fixed. The sample was selected at random.

Framing the Questionnaire - The questionnaire consists of four parts, namely Part A, Part B, part C and part D. Part A included ten demographic variables on gender, age, marital status, educational qualification, designation, and experience in the company. Part B consisted of statements relating to the performance appraisal system with attributes, namely fairness about appraisal, appraisal accuracy and relationship with a superior. Part C consists of reports relating to employee engagement's mediating variables that lead to employee performance like employee commitment, job satisfaction, and OCB. Part D consists of ideas relating to employee performance and variables like employee commitment, job satisfaction and OCB.

Pre-test of the Questionnaire - The study will be conducted in Mysore in select IT companies. The structured questionnaire was pre-tested among ten employees from the IT sector. The questionnaires were filled through personal interaction with employees and employers. During the pre-test, it was found that specific questions were repetitive. The suggestions given were included in the questionnaire. The pre-tested questionnaire was then circulated for the pilot study.

Pilot Study - The pilot test will be administered to 30 employees from the IT sector. Pilot testing will be carried out to ensure that the survey items are relevant. The sample was

selected using a stratified random survey and is intended to record employees' responses from all the levels of the organizational hierarchy. All the items will be checked for perceived repetitions. The internal reliability test will be conducted using Cronbach's Alpha.

THE SAMPLE OF THE STUDIES - The data will be collected from 270 respondents from 35 SME's, IT companies located in Mysore. The data was collected by circulating the questionnaire among the respondents. The sample for the study was sourced via non-probability sampling and an online research panel.

COLLECTION OF DATA: A combination of primary and secondary data sources is used to avoid any discrepancy or error.
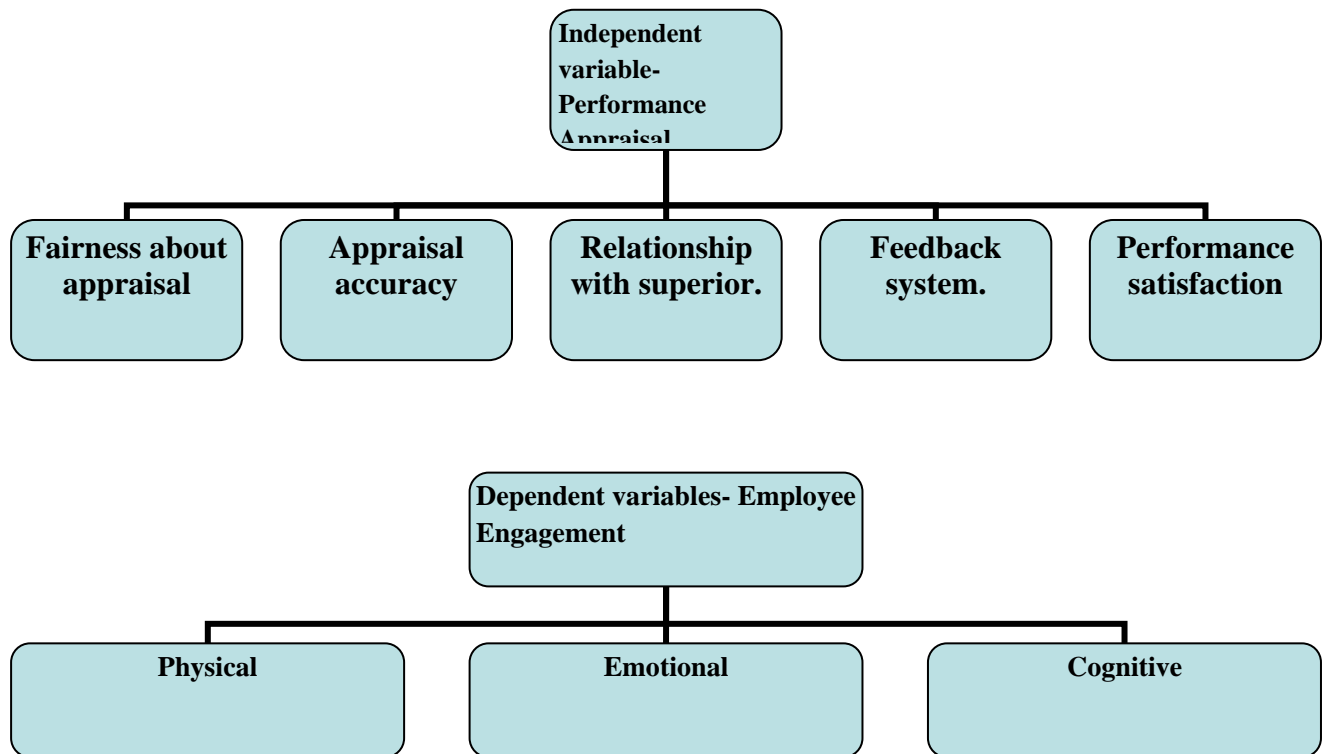
➢ The primary data:
1. Questionnaires.
2. Interviews.
3. Focused group.
4. Informal discussions
➢ The secondary data is collected through a review of literature, websites, company manuals, magazines, annual reports of the MSME department, etc.

TOOLS OF ANALYSIS:

1. Correlation
2. Regression
3. Factor analysis
4. Chi-square
5. Structural model

RESEARCH FRAME WORK

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                        ┌─────────────────┐
                        │ Independent      │
                        │ variable-        │
                        │ Performance      │
                        │ Appraisal        │
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│ Fairness │ │ Appraisal│ │Relationship│ Feedback │ │Performance│
│  about   │ │ accuracy │ │ with      │ │ system.  │ │satisfaction│
│ appraisal│ │          │ │ superior. │ │          │ │          │
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                        ┌─────────────────────────┐
                        │ Dependent variables-     │
                        │ Employee Engagement      │
                        └─────────────────────────┘
        ┌───────────────────────┼───────────────────────┐
   ┌──────────┐            ┌──────────┐            ┌──────────┐
   │ Physical │            │ Emotional│            │ Cognitive│
   └──────────┘            └──────────┘            └──────────┘
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DATA ANALYSIS

Table1

Gender		Frequency	Percent	Valid Percent	Cumulative Percent
	Female	187	67.5	69.25	69.25
	Male	83	29.96	30.75	100
Valid	Total	270	97.46	100	
Missing	System	7	2.54		
Total		277	100		

Source: Primary data

Interpretation: majority of the Respondents were females with 67.5% and males were 29.96%.

Inference: The majority of the respondents surveyed in the IT sector were Females (67.5%)
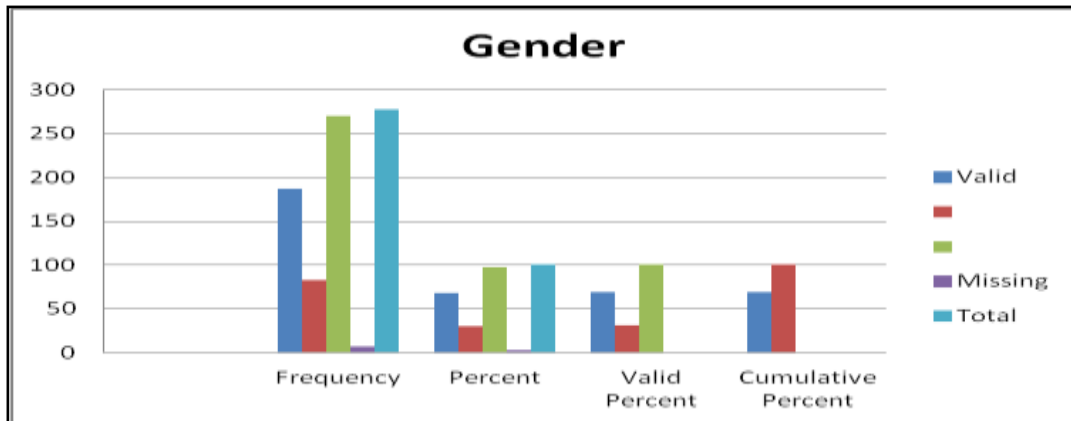
Figur1

Gender

Table2

Age of the respondents					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
	20-29	135	49	50	50
	30-39	70	26	25.92	25.95
	40-49	55	20	20.38	96.3
	50 above	10	4.1	3.8	100
Valid	**Total**	270	99.1	100	
Missing	**System**	7	0.9		
	Total	277	100		

Source: Primary data

Interpretation: majority of the Respondents (49%) were in the age group 20-29 years followed by respondents in the age group 30-39 years (26%) and the age group 40-49 years (20%) only 4.1% were in the age group above 50 years.

Inference: Almost 49% of the respondents surveyed in the IT sector were in the age group 20-29
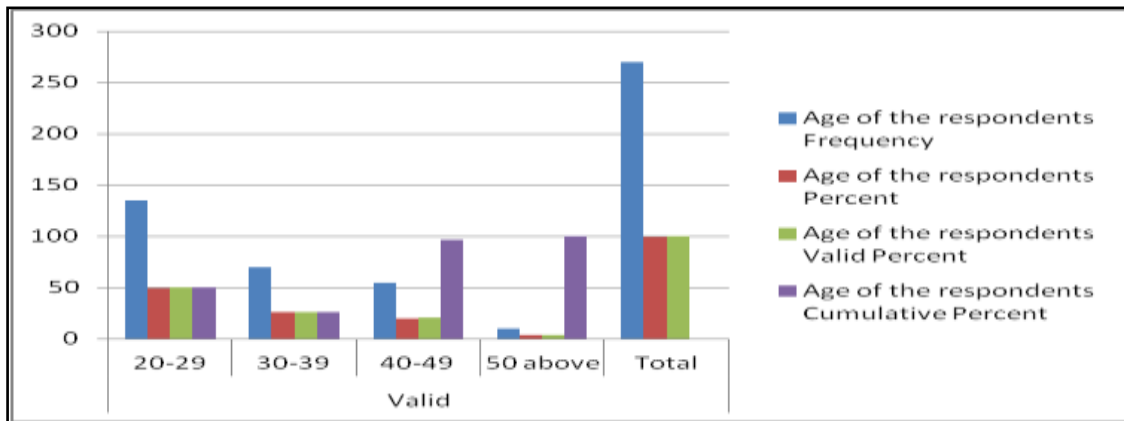
Figure: 2   - *Age of the respondents*

Table3

Education		Frequency	Percent	Valid Percent	Cumulative Percent
	Primary	55	19.85	20.37	20.37
	Inter	170	61.31	62.96	62.96
	Graduate	35	12.62	12.96	96.29
	PG above	10	3.7	3.7	**100**
Valid	Total	**270**		**100**	
Missing	System	7	2.52		
Total		**277**	**100**		

Source: Primary Data

Interpretation: majority of the Respondents (65.3%) were Graduates followed by PG and above.

Inference: Almost 65% of the respondents surveyed in the IT sector were followed by PG and above.
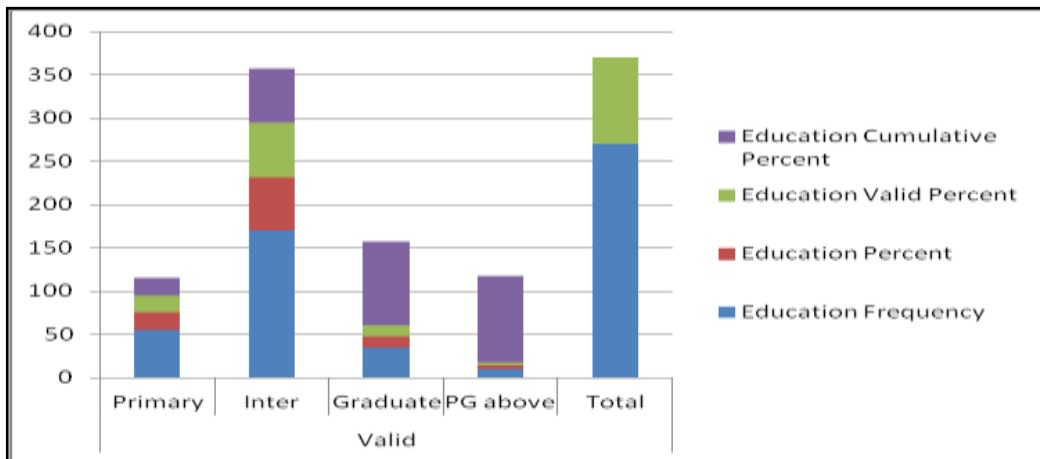
Figure 3- *Education*

Table 4

Income Category		Frequency	Percent	Valid Percent	Cumulative Percent
	<5L	173	62.45	64.07	64.07
	5 -10L	97	35.01	35.92	100
Valid	Total	270	97.46	100	
Missing	System	7	2.52		
Total		277	100		

Source: Primary Source

Interpretation: majority of the Respondents (64.07%) earned less than 5 lakhs p.a. This was followed by between 5-10 lakhs p.a (35.01%).
Inference: Almost 64% of the respondents surveyed in the IT sector were in the income category less than 5 lakhs

Figure 4
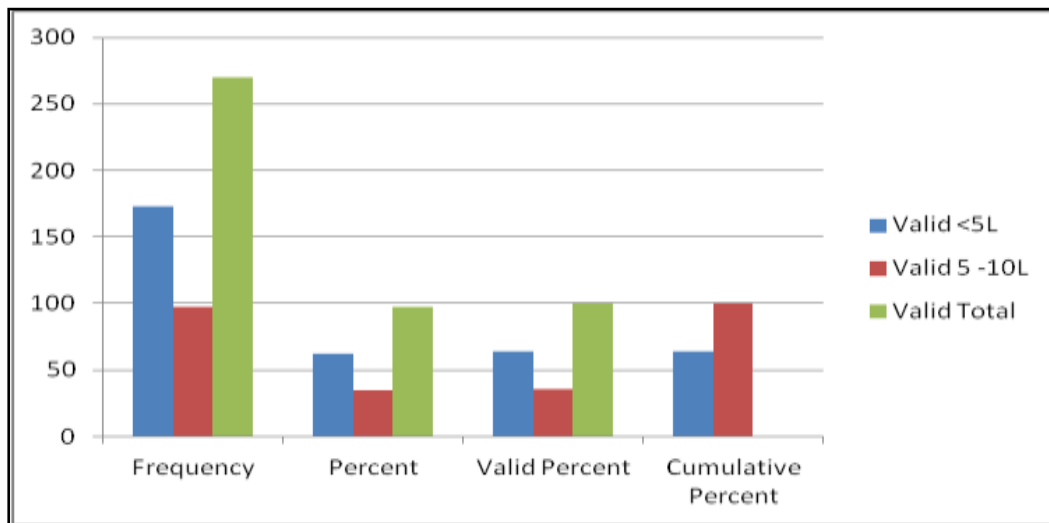
CONCLUSION

The study convinces one that employee performance appraisal does infuse a sense of professionalism into the employees of SMEs in IT companies. Considering that one is talking of the performance appraisal system in vogue in an industry characterized by constantly changing dynamics, the relevance and importance of the performance appraisal system hardly need any emphasis. Parallel, one needs to examine whether the performance appraisal management system has evolved under the changing IT industry dynamics. If it does not, the resultant misalignment may render the performance appraisal system less effective. The study concludes that there is an association between the performance appraisal management system and the changing dynamics of the IT industry.

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