Journal of Management Sciences

Exploring the Significant Factors of Employee Performance Management System in Commercial Banks: A Multivariate Analysis

Affiliation:

Kazi Nazmul Huda

Associate Professor, Faculty of Business Administration, Southern University Bangladesh, Bangladesh.

Email: nazmul@southern.edu.bd

Rashed Mahmud Shakil

Lecturer, Faculty of Business Administration, BGC Trust University Bangladesh.

Email: rashedshakil@bgctub.ac.bd

Tamgid Ahmed Chowdhury

Associate Professor, School of Business & Economics, North South University, Bangladesh.

Email: tamgid.ahmed@northsouth.edu

Manuscript Information

Submission Date: July 22, 2020

Reviews Completed: October 10, 2020

Acceptance Date: November 18, 2020

Publication Date: December 26, 2020

Citation in APA Style:

Huda, K. N., Shakil, R. M., Chowdhury, T. A. (2020). Exploring the Significant Factors of Employee Performance Management System in Commercial Banks: A Multivariate Analysis, *Journal of Management Sciences*, 7(2), 68-83.

DOI: <https://doi.org/10.20547/jms.2014.2007205>

Exploring the Significant Factors of Employee Performance Management System in Commercial Banks: A Multivariate Analysis

Kazi Nazmul Huda * Rashed Mahmud Shakil † Tamgid Ahmed Chowdhury ‡

Abstract: This study explored the most significant factors of the Employee Performance Management System (EPMS) of the Commercial Banks in Bangladesh. A questionnaire survey was conducted on 378 bankers of public and private commercial banks, and the structural equation modeling technique was used for statistical analysis. The study explored five dimensions of EPMS with 15 significant variables. Freedom to choose individual assignment was found to be the priority, followed by relationship development and active engagement issue of EPMS. Top management of the banks should empower millennial generation bankers to stay mentally energized and reframe their EPMS to engage the employees in building a high-performing culture actively.

Keywords: Performance management, performance appraisal, employee, Bangladesh, commercial banks.

Introduction and Rationale of the Study

Employee Performance Management System (EPMS) is a dynamic human resource development process that facilitates achieving the vision of an organization by enriching an individual's performance that benefits the society at large. Effective EPMS measures the performance of an employee and formally achieve organizational effectiveness (Den Hartog, Boselie, & Paauwe, 2004). The vital objective of an EPMS is to abet the employees in achieving the organizational vision, mission, strategies, and objectives (Ukko, Tenhunen, & Rantanen, 2007; Mmieh, Mordi, Singh, & Asiedu-Appiah, 2011) and the bottom-line of every EPMS is individual performance improvement, performance adjustment, and job satisfaction.

An effective EPMS is essential in the banking industry as it demands a high performing corporate culture for ensuring productivity and growth (Shrivastava & Purang, 2011) and this is also important in Bangladeshi banks as their competitive intensity, performance management practice has become a crucial factor in sustaining competitive advan-

* Associate Professor, Faculty of Business Administration, Southern University Bangladesh, Bangladesh.
Email: nazmul@southern.edu.bd

† Lecturer, Faculty of Business Administration, BGC Trust University Bangladesh. Email: rashedshakil@bgctub.ac.bd

‡ Associate Professor, School of Business & Economics, North South University, Bangladesh.
Email: tamgid.ahmed@northsouth.edu

tage (Huda, Shah & Nasrullah, 2016). As this sector has become excessive performance-oriented (Majumder & Hossain, 2012; Masum, Azad, & Beh, 2016), it demands exhilaration in individual performance for providing effective value-added services to the clients. This main objective of this study is to evaluate the EPMS of the banking industries in Bangladesh by exploring its significant factors.

Banking is one of most extensive service sectors of Bangladesh in terms of business volume (Siddiqi, 2011). The industry has achieved significant expansion with 56 scheduled banks that employ more than 110,000 workforces. The nature of banking today has gone through radical changes with respect to service diversification, fast customer service, and mostly digitalization over the last century with shifting at the utmost speed. The sector has brought higher employment opportunities, an increase in income level, and changes in consumption patterns that created a competitive environment both in the economic and job market (Tabassum, Rahman, & Jahan, 2011). Besides, competitive pressure in the economy is forcing commercial banks to deal with the challenges.

Banking is a distinct labor-intensive service industry (Peña & Villasalero, 2010). This sector has become excessive performance-oriented (Masum et al., 2016; Sarker, 2014), which demands exhilaration in individual performance for providing effective value-added services to the clients. Therefore, in a high performing work culture, banking organizations must align individual performance with the banking business's strategic performance requirement as modern EPMS is a collaborative process that mainly demands an active engagement of the management and employees in planning, developing, and evaluating EPMS (McAfee & Champagne, 1993). Therefore, being the key stakeholder of EPMS, bankers' engagement in designing and implementing an effective performance management system (EPMS) and their acceptance of the EPMS process is vital for the success and failure. Their opinions in this regard could be an imperative input for human resource development and designing & implementing an effective EPMS (Buchner, 2007).

According to Bouckaert and Halligan (2007), rigorous research endeavor is necessary to discover the essential facts that enable an effective EPMS. Hence, most of the existing studies on EPMS are highly contextual to developed countries like the UK and USA, and assessing the EPMS of the banking sector is very rare in the existing literature. The current study will try to fill the gaps in the existing literature. The study results could be significant for designing and adjusting the existing EPMS of commercial banks. However, it will contribute to the existing literature by discovering the significant factors of EPMS of selected commercial banks of Bangladesh, taking the opinion of bankers, and proposing policy implications based on the research findings.

Literature Review

Concept of EPMS and its Importance

An effective performance management system ensures accountability and transparency of employee's performance, which ultimately facilitates organizational effectiveness. It also helps to align individual performance with the goals and objectives of an organiza-

tion (Biron, Farndale, & Paauwe, 2011; Brown & Hirsh, 2011). An efficient EPMS harmonizes an individual's task performance with the organizational missions and objectives. According to Corcoran (2006), EPMS is a set of integrated and interrelated processes that begin with employee acquisition functions and end with employee termination. In a high performing corporate culture, the meaning of EPMS is to set individual and unit performance aligned with the business strategies (Boachie-Mensah & Seidu, 2012). An effective EPMS helps achieve remarkable results of the business, ensures job satisfaction, and gains commitment & loyalty of an employee (Ramsay, Scholarios, & Harley, 2000; Fletcher & Williams, 1996). Successful EPMS also helps employees develop current performance and aids in adopting future performance requirements, ultimately helping the organization gain a competitive advantage. Effective performance management practice helps an organization develop its workforce's performance, and a routine employee assessment is positively correlated to the effectiveness of the performance management system. EPMS facilitates establishing a collaborative workforce that understands and willfully accept the indicators, outcomes, and the reward of effective performance and interactivity among the management and employees through better EPMS ensuring higher productivity (Ukko et al., 2007) and positive relationship (Beer & Ruh, 1976).

EPMS and its Intended Outcome

Most commonly, the extant literature of EPMS covers the issues like performance assessment and monitoring system of an employee (Furnham, 2004). The system mainly works to improve the performance of an organization by direct and indirect support from many stakeholders and functional entities. High-performing organizational culture demands outcome-oriented EPMS to be sustainable in a turbulent business environment. A robust EPMS helps in ensuring the superior degree of good governance (accountability, transparency, the rule of law) at the workplace and develops trust between employers and employees (Mayer & Davis, 1999). Pulakos (2009), in their research, have discovered that EPMS facilitates employee performance that leads to high job satisfaction. It ensures equity and justice across the organization.

Furthermore, Taylor and Pierce (1999) conducted an empirical study on 300 different types of professionals like scientists, technical, and administrative staff in New Zealand. They discovered that newly introduced EPMS helped to develop a cooperative relationship between supervisors and employees. Such a state of the working relationship is a mandatory requirement for the effective implementation of EPMS in Indian companies. Nawab, Bhatti, and Shafi (2011); Baltes and Parker (2000) coined that a robust performance system should be rewarding for the employees to ensure productivity and profitability of the organization. It is an essential factor in increasing Bankers' motivation and job satisfaction in Pakistan. Another study on the Nigerian banking sector was conducted by Abdulkadir, Isiaka, and Adedoyin (2012), finding a positive relationship between effective EPMS and job commitment. Additionally, Mone, London, and Mone (2018); Gruman and Saks (2011) have postulated that performance management systems foster a high degree of employee engagement and help to achieve superior performance of an employee.

Kagaari, Munene, and Ntayi (2010) have conducted a study on university teachers and

found that a positive attitude towards performance culture is a vital outcome of an effective performance management system (EPMS). A study conducted by [Blanchard \(2009\)](#) projected that the outcome of an effective EPMS had dropped off staff turnover by 50%, increased customer satisfaction by 30%, and secured employee commitment by 40%. The intended outcome of an EPMS is to improve individual performance, human resource development, effective interpersonal communication among employers, managers, and employees. According to [Aslam, Hamid, and Ayub \(2011\)](#), EPMS should be sophisticated enough to keep the employees motivated at work to remain engaged and productive. However, despite much success of EPMS, many organizations had struggled to realize its gain and showing negligence in implementing an EPMS.

Strategic Issues of an Effective EPMS

Every organization should exercise a modern EPMS to attain an organization's overall performance. Effective EPMS acts as an essential intervention of strategic human resource management practice that aligns organizational objectives with the employees' performance ([MacDuffie, 1995](#); [Delery & Doty, 1996](#); [Armstrong, 2006](#)). Organizations must maintain a conducive environment to make their employees better perform in a competitive environment. However, to attain organizational strategic demand, performance expectations or key performance indicators should be collectively set through affectionate participation and sharing between senior management & employee. According to [Sahoo and Mishra \(2012\)](#); [Biron et al. \(2011\)](#), the decided performance indicators should be communicated to the rest of the employees in advance.

A transparent EPMS develops the confidence of the employees towards fair performance management practice and finally achieves better corporate governance ([Heinen & O'Neill, 2004](#)) and employee's involvement in the EPMS develops the confidence in the fairness of the performance management process ([Dewettinck & van Dijk, 2013](#)). As stated in the research of [Baltes and Parker \(2000\)](#); [Rubino \(1997\)](#), EPMS should be integrated with a strategic pay plan in the way that the organization inspires the employees towards high performing culture and employees to remain focused in attaining organizational goals and objectives. After the above review, it is evident that any PMS's effectiveness lies in the achievement of the intended outcome of the system.

The Operational Requirement of a Result-oriented EPMS

Superiors should be made accountable to assist the employees in understanding their job descriptions to meet the performance indicators effectively. They should be free to set their courses of action to comply with the performance. In this regard, the employers should develop regular and adequate feedback mechanisms, as suggested by [Beer and Ruh \(1976\)](#) though this practice remained unnoticed by many employers. Regular practice of performance feedback motivates the employees, and it is correlated with improved job performance. However, the appraisers must possess a clear understanding of the appraisees' reaction to negative feedback, and it shall not compromise with individual

dignity. The self-appraisal method could be a useful tool for developing a positive attitude towards EPMS and developing a transparent self-feedback culture. However, it will ensure employees' participation in EPMS and enhances inspiration, as stated by [Roberts \(2003\)](#); [Taylor and Pierce \(1999\)](#). Best practice of self-appraisal ensconces transparency in the performance appraisal process, as stated by [Heinen and O'Neill \(2004\)](#), in their research.

[Pulakos and O'LEARY \(2011\)](#); [Dahling and O'Malley \(2011\)](#) have maintained that the performance feedback mechanism is supposed to be goal-oriented. Performance gaps should be communicated with evocative feedback improvement and future development needs. According to [Marrelli \(2011\)](#), superiors should extend their hands to help the employees perform difficult work effectively. These behavior types may result in better relationship development between management and employees, and high performers should be rewarded relatively through intrinsic and extrinsic reward systems. Likewise, [Sripirabaa and Krishnaveni \(2009\)](#) researched performance management on Indian manufacturing firms and found that sufficient financial support had a significant positive impact on EPMS. It should also be smart enough to document promotion decisions ([Baltes & Parker, 2000](#)) and training need assessment to design effective training programs for the poor performers. Organizations should promote a favorable work-environment that creates a positive drive towards a high-performing work system and culture ([Takeuchi, Chen, & Lepak, 2009](#); [Wong & Snell, 2003](#)).

Research Gap

The literature review of the current study has explored different variables of EPMS. Maximum variables are related to strategic issues of EPMS, several are performance appraisal operational/practices, and a few are directly related to the outcome of EPMS. It is also revealed from the literature review that most of the authors like [Baltes and Parker \(2000\)](#); [Bianchi and Rivenbark \(2012\)](#) in the USA, [Sharif \(2002\)](#) in the UK, [Decramer, Smolders, Vanderstraeten, and Christiaens \(2012\)](#) in the Netherlands, [Taylor and Pierce \(1999\)](#) in New Zealand, [Peña and Villasalero \(2010\)](#) in Australia, [Mmieh et al. \(2011\)](#) in Africa, [Aslam et al. \(2011\)](#) in Pakistan, [Sripirabaa and Krishnaveni \(2009\)](#) in India and their researches are limited within their job cultural and social context. Their EPMS originated in a high performing work culture practices and extended to organizational citizenship behavior issues.

Research Method

Variable Identification and Justification

Authors have extensively reviewed scholarly articles, reports, policy guideline papers, and newspaper articles to explore as many determinants of the EPMS and its parameters of evaluation as possible irrespective of the country and field of study. Research materials were sourced from Google scholars, Scopus database, JSTOR, web portal, and Bank

portals. Twenty-four variables relevant to EPMS were accumulated through extensive literature review. Those items were shared with an expert panel consisting of three members having long-time experience in the banking sector to check the applicability of those variables in the current study. It was decided that the variables that get two out of three votes in favor will be retained.

Questionnaire

The first part of the questionnaire contains demographic questions such as age, gender, and years of experience. The second segment of the instrument asked about 24 questions relevant to the EPMS. A highly accepted 5-point Likert rating scale was used to capture the respondents' opinions on those 24 items, where point five represents 'Strongly Agree,' and one shows 'Strongly Disagree.' In the questionnaire, bankers were asked questions related to their state of motivation and engagement status, the enabling environment and performance evaluation process, and the operational efficacy of performance management like reward and promotion.

Sample Size and the Profile of the Respondents

Researchers controlled data collection because respondents must have at least 5-6 years of working experience in the banking sector. Working experience is vital as a banker should work a considerable amount of time to receive a minimum 4-5 performance appraisal or annual confidential report. Respondents were selected following judgmental sample techniques because they fulfill the screening criteria. A total of 250 questionnaires were distributed among the bankers of private banks for EFA. However, few questionnaires were discarded due to missing responses and incorrect answers (multiple ticked options). Finally, 211 usable responses were considered for data analysis. Subsequently, 180 questionnaires were distributed among the bankers of public banks for CFA, and 167 were considered usable. Samples were decisively chosen from different branches of 20 reputed private commercial banks and six public commercial banks of Bangladesh. The survey was carried out from January 2019 to June 2019.

Statistical Method

SPSS Version 20.0 was used for EFA, and SPSS AMOS version 21 was used for CFA through structural equation modeling (SEM). SEM is used to determine the dependency relationship between the EPMS variables simultaneously. This multivariate technique was also used for factor analysis and multiple regressions that examine a series of interrelated dependence relationships among the measured variables and latent constructs and several latent constructs.

Findings and Discussion

Exploratory Factor Analysis

The data analysis started with EFA, was used to reduce the number of items to more relevant ones. EFA's objectives are referred to as access to a test or instrument's construct validity and analyze the relationship between variables (Williams, Onsman, & Brown, 2010). The value of Kaiser-Meyer Olkin (KMO) validating the data adequacy was found to be 0.78; our data is acceptable enough to run EFA. A total of 24 EPMS variables were compared with the original statement of the questionnaire and was conducted on the sample ($n = 211$) of the bankers of Bangladeshi Private Banks.

It seems that the respondents of public banks believe that issues like a conducive work environment (EPMS 10) is not relevant to their existing performance management system as this issue is mostly maintained by the private banks of Bangladesh. However, they may have failed to connect individual productivity (EPMS 4) issue with EPMS and are not much concerned about employers' expectation (EPMS 11) issue as they are accustomed to strict management by objective (MBO) culture where there is no scope of unclear expectation. However, many bankers have complained that employers' expectations are rising gradually due to tremendous competition. Support of the superiors (EPMS 22) to facilitate performance is a little unusual in the banking sector. A rigid culture of individual authority limits and responsibility is exercised here for security issues. Therefore, it's tough for a banker of the cash department to share the responsibility or ask for help from the seniors or colleagues. However, most of the bankers receive comprehensive basic training to perform their work independently. Hence, the general banking and transaction department bankers are not allowed to share their tasks with colleagues. That's why this issue is insignificant to them.

The second stage of EFA was conducted discarding the insignificant variable, which has formed five factors, and no variable is discarded as the loading value was found more excellent than the cutoff value. However, the KMO measurement test displayed more than 0.5 as accepting values (Vinerean, Cetina, & Dumitrescu, 2013) that is 0.778 and the cumulative percentage of total variance explained slightly increased to 52.31%.

Confirmatory Factor Analysis

To confirm EFA's findings, through CFA, we utilized the data collected from the managers ($n = 167$) working in public banks. The First-order confirmatory-multiple factors were based on the five factors of EPMS revealed from EFA. It was decided that any variable having a loading of 0.50 or higher would be retained. Besides, the goodness of fit index values such as GFI (>0.85), CFI (>0.90), RMSEA (<0.05), Pclose, and Hoelters (>200) for each dimension would be considered (Byrne, 2016; Hair et al., 2016). The first CFA stage revealed the loading value of variable EPMS 21 of Factor 2, EPMS 19 of Factor 3, and EPMS 23 of Factor 5 had less than the cutoff value ($<.50$). The bankers of the public banks may perceive that the high performers are not fairly rewarded (EPMS 23) as the compensation policy is fixed by the central bank of Bangladesh, which does not include

variable incentive packages as offered by the private banks. Therefore, performers and non-performers are on the same page in this regard. Though basic training is an obligatory function of every bank but organizing training programs aligned (EPMS 21) with the performance development needs is largely missing in public banks.

Table 1
Model Fitness

No.	Particulars	Cutoff Value	References	Default Values
1	CMIN/DF	Less than 3	Hair, Black, Babin, and Anderson (2010); Kline (2005).	2.83
2	Comparative fit indexes (CFI)	Greater than .900	Hair et al. (2010); Hu and Bentler (1999); Kline (2005).	0.91
3	The goodness of fit index (GFI)	Greater than .900	Bentler (1990); Hu and Bentler (1999).	0.93
4	Adjusted goodness of fit index (AGFI)	Greater than .900	Bentler (1990); Hair et al. (2010).	0.98
5	RMR	Less than .05	Byrne (1998); Diamantopoulos and Siguaw (2000).	0.044
6	Tucker Lewis index (TLI)	Greater than .900	Bentler (1990); Hu and Bentler (1999); Schumacker and Lomax (2004).	0.91
7	Root mean square error approximation (RMSEA)	Less than .05	Browne and Cudeck (1993); Garson (2009); Schumacker and Lomax (2004).	0.046
8	PCLOSE	Greater than .05	Garson (2009).	0.07
9	HOELTER	Greater than 200	Garson (2009).	205

Source: Compiled from SPSS AMOS Version 21

The second phase of CFA was conducted by discarding the insignificant variables mentioned above. Finally, 15 out of 18 variables were retained in the model (Table 2) with five factors. However, the loading value of most of these variables is complying with the cutoff value. Table 2 and the goodness of fit of the model, which is projected in Table 1. Therefore, these five factors, and their underlying 15 variables are the main determinants of EPMS of the banking industry of Bangladesh (refer to Table 2). Table 2 shows the final result of the study and presents the whole scenario of EPMS concerning the banking sector of Bangladesh. According to the respondents, the freedom to decide the method of doing work (EPMS 17) has scored the highest loading value .86. It means that the bankers prefer the issue of workplace freedom, and their EPMS should allow it to ensure effective performance. Such findings are commonly found in contemporary management literature that millennial generations are affectionate about freedom at work while choosing a career or professional life. The bankers also look forward to promoting better relationships (EPMS 1) between management and employees through effective EPMS. This issue is also found significant with a higher loading value (.75). However, they also prefer to stay engaged at work and expect that the EPMS will facilitate employee engagement (EPMS 3). This issue is found with a credible loading value (.72). Key Performance Indicator (KPI) based performance management has become extremely popular in the modern corporate world, and the banking sector is not exceptional. The study has projected that two main issues of modern KPI-based performance management system i.e., goal alignment (EPMS 9) and fair indicator (EPMS 13), had clustered in the same factor with a moderate loading value .65 and .67 respectably. Transparency in the performance evaluation process is also a key concern for the bankers, with a loading value .66. They also prefer to work in a high performing culture (EPMS 6) with a positive attitude (EPMS 5) towards their EPMS. Hence, these two variables are clustered together in Factor 1.

On the other hand, the mean value of all these factors is highly acceptable, and the value of factor 2 stands with the highest number (4.14). So, for effective EPMS, the em-

mployee engagement factor should be given high priority. Employers must seriously consider implementing the outcome related factor (Factor 2) as the mean value is very close to the previous factor (4.13). Factor 5: Performance Governance factor should be considered with due diligence as the mean value of this factor is also high (4.10).

Table 2
Summary of the results of CFA

EPMS Factors	Variables	Loading Value	Rank	Mean Value	Alpha Value
F1: Outcome related factor of EPMS	EPMS 1: Relationship	0.75	2nd	4.13	0.76
	EPMS 2: Motivation	0.64	8th		
	EPMS 5: Attitude	0.6	9th		
	EPMS 6: Culture	0.64	7th		
F2: Employee Engagement Factor	EPMS 3: Engagement	0.72	3rd	4.14	0.64
	EPMS 7: Job-satisfaction	0.51	13th		
	EPMS 15: Reward System	0.52	12th		
	EPMS 16: Job Description	0.53	11th		
F3: Performance Appraisal Factor	EPMS 17: Freedom	0.86	1st	4.06	0.70
	EPMS 18: Self-appraisal	0.56	10th		
F4: Performance Indicator Factor	EPMS 8: Modern	0.5	15th	4.08	0.52
	EPMS 9: Aligned	0.65	6th		
	EPMS 13: Fair Indicators	0.67	4th		
F5: Performance Governance factor	EPMS 12: Goal-sharing	0.51	14th	4.10	0.55
	EPMS 14: Transparent Process	0.68	5th		

Source: Compiled from SPSS AMOS Version 21

Conclusion

This study explored the significant factors of EPMS of the Commercial Banks operating in Bangladesh through a questionnaire survey on bankers. The popular structural equation modeling technique was used as a statistical tool to analyze the data. The study discovered five dimensions of EPMS with fifteen important variables and freedom to choose individual assignment was found to be the most significant variable of EPMS. Therefore, the top management of the commercial banks should empower the millennial bankers to keep them energized at work and reframe the EPMS to promote an enriched performance culture.

Private Banks of Bangladesh are in a race to maintain their current market position, and the nascent are battling to survive, of which some are on the verge of closeout. Senior management is kept in heinous pressure to meet the targets, and finally, the bankers are in tremendous stress to manage performance. On the other hand, public banks are somewhat relaxed regarding employee performance management, but organizational performance is declining daily. Most of the public banks' financial condition is poor, and few are at the pick of high-level corruption. In this turbulent situation, this industry should try to revive by capitalizing talented people's potentials, and an effective EPM Survey is necessary in this regard. Management of the banks must come out of traditional annual appraisal practices and consider performance management a strategic necessity to be competitive in the market.

Managerial Implications

The results of this study prove a point that all the variables of an EPMS may not be applicable in the Bangladeshi socioeconomic context. Hence, a few interesting discoveries of this research may lead us to a new paradigm of the performance management system, such as, three nonfinancial issues of performance management i.e., Freedom, Relationship, and Engagement are unveiled by the bankers and which is very common in developed countries but extremely rare in our traditional performance management culture. The common notion of performance management in Bangladesh is limited to reward, promotion, and mostly financial growth issues, and our managers focus on those issues to ensure employee performance. But the result of this study is signaling to a shift in the mindset of the new age bankers that they prefer dignity, independence, and better mental health to perform better apart from the financial matters of performance management.

Managers of the commercial banks are suggested to reframe the traditional corporate culture of autocracy and empower their employees to work independently in their preferred area. They must emphasize on the relationship development issue of EPMS instead of making it too formal and mechanistic. They must understand the pulse of the millennial generations before formulating policies and strategies of performance management. Modern EPMS should keep the employees engaged at work. But beforehand, the managers must know the tools of active engagement and apply those to keep this new generation of the workforce engaged at work which was also suggested by [Sardar, Rehman, Yousaf, and Aijaz \(2011\)](#) in their research. EPMS should not be limited to yearly performance appraisal or completing an annual confidential report. Managers must understand that it is not setting KPIs and putting pressure to attain the targets. They should first focus on the outcome related factors of EPMS to set the course then engage them to achieve organizational goals. Furthermore, they must try to align the performer with the performance and performance with the reward system. However, EPMS should be governed fairly to minimize distrust, stress, and conflict to develop a positive attitude towards EPMS and to foster a culture of high performance in the banking sector of Bangladesh.

Limitations and Future Research

First and foremost, a cross-sectional data set was applied in this study. Most notably, cross-sectional procedure often permits the use of large samples enhancing external validity but the findings have limitations regarding internal validity. Thus, conducting a longitudinal research which involves time-based assessment would resolve such issues by providing a stronger performance management model compared to one-based assessment on cross-sectional data. In the second place, the data we applied might be subjected to common method variance since all of our measures were self-reported and a single group of employees were chosen for collecting our data. Given this possibility, Harman one-factor test ([Podsakoff, MacKenzie, Lee, & Podsakoff, 2003](#)) was conducted in this study. The factors together comprised 61% of the total variance (applying the eigenvalues > 1 criterion) and the largest factor explained less than 50% (only 25%). While the possibility of common method variance is not precluded from these results, they imply that

such biases are not likely to have confused the interpretation of the results. Accordingly, the potential risk of common method variance indicates the necessity of replicating this study applying the objective performance indicators.

The next point to recognize is that the sample size used in this study was relatively small. As a result, the findings may have limitations in terms of generalizability if applied to other sorts of organizations in Bangladesh. A study with larger sample is required for confirming the effects found in Bangladesh. The final limitation of this study included that our sampled firms of this empirical investigation were all service firms. Future researchers may make an attempt to explore whether the most significant factors of the Employee Performance Management System can be generalizable to other work setting, such as manufacturing organizations.

References

- Abdulkadir, D. S., Isiaka, S. B., & Adedoyin, S. I. (2012). Effects of strategic performance appraisal, career planning and employee participation on organizational commitment: An empirical study. *International Business Research*, 5(4), 124-133.
- Armstrong, M. (2006). *Performance management: Key strategies and practical guidelines*. London, UK: Kogan Page Limited.
- Aslam, S., Hamid, Z., & Ayub, U. (2011). Employees' perception of annual confidential report and performance management system: Case study of Zarai Tarakiati bank limited. *Interdisciplinary Journal of Contemporary Research in Business*, 3(2), 905-918.
- Baltes, B. B., & Parker, C. P. (2000). Reducing the effects of performance expectations on behavioral ratings. *Organizational Behavior and Human Decision Processes*, 82(2), 237-267.
- Beer, M., & Ruh, R. A. (1976). Employee growth through performance management. *Harvard Business Review*, 54(4), 59-66.
- Bianchi, C., & Rivenbark, W. C. (2012). A comparative analysis of performance management systems: The cases of Sicily and North Carolina. *Public Performance & Management Review*, 35(3), 509-526.
- Biron, M., Farndale, E., & Paauwe, J. (2011). Performance management effectiveness: lessons from world-leading firms. *The International Journal of Human Resource Management*, 22(06), 1294-1311.
- Blanchard, K. (2009). The high cost of doing nothing: Quantifying the impact of leadership on the bottom line. *The Ken Blanchard Companies*. Testo disponibile al sito: www.kenblanchard.com. Consultato il, 9(09), 2010.
- Boachie-Mensah, F. O., & Seidu, P. A. (2012). Employees' perception of performance appraisal system: A case study. *International Journal of Business and Management*, 7(2), 73-88.
- Bouckaert, G., & Halligan, J. (2007). *Managing performance: International comparisons*. London: Taylor & Francis Group.
- Brown, D., & Hirsh, W. (2011). Performance management: Fine intentions. *People Management*, 34(4), 34-37.
- Buchner, T. W. (2007). Performance management theory: A look from the performer's perspective with implications for hrd. *Human Resource Development International*, 10(1), 59-73.
- Collins, C. J., & Smith, K. G. (2006). Knowledge exchange and combination: The role of human resource practices in the performance of high-technology firms. *Academy of Management Journal*, 49(3), 544-560.
- Corcoran, C. (2006). Performance management conducting appraisals. *Accountancy Ireland*, 38(6), 42-45.
- Dahling, J. J., & O'Malley, A. L. (2011). Supportive feedback environments can mend broken performance management systems. *Industrial and Organizational Psychology*, 4, 201-203.
- Decramer, A., Smolders, C., Vanderstraeten, A., & Christiaens, J. (2012). The impact of institutional pressures on employee performance management systems in higher

- education in the low countries. *British Journal of Management*, 23, 88–103.
- Delery, J. E., & Doty, D. H. (1996). Modes of theorizing in strategic human resource management: Tests of universalistic, contingency, and configurational performance predictions. *Academy of Management Journal*, 39(4), 802–835.
- Den Hartog, D. N., Boselie, P., & Paauwe, J. (2004). Performance management: A model and research agenda. *Applied Psychology*, 53(4), 556–569.
- Dewettinck, K., & van Dijk, H. (2013). Linking Belgian employee performance management system characteristics with performance management system effectiveness: exploring the mediating role of fairness. *The International Journal of Human Resource Management*, 24(4), 806–825.
- Fletcher, C., & Williams, R. (1996). Performance management, job satisfaction and organizational commitment1. *British Journal of Management*, 7(2), 169–179.
- Furnham, A. (2004). Performance management systems. *European Business Journal*, 16, 83–94.
- Grigoroudis, E., & Zopounidis, C. (2012). Developing an employee evaluation management system: the case of a healthcare organization. *Operational Research*, 12(1), 83–106.
- Gruman, J. A., & Saks, A. M. (2011). Performance management and employee engagement. *Human Resource Management Review*, 21(2), 123–136.
- Heinen, J. S., & O'Neill, C. (2004). Managing talent to maximize performance. *Employment Relations Today*, 31(2), 67–82.
- Jaworski, B. J., & Kohli, A. K. (1991). Supervisory feedback: Alternative types and their impact on salespeople's performance and satisfaction. *Journal of Marketing Research*, 28(2), 190–201.
- Kagaari, J., Munene, J. C., & Ntayi, J. M. (2010). Performance management practices, employee attitudes and managed performance. *International Journal of Educational Management*, 24(6), 507–530.
- Lawler, E. E. (2003). Reward practices and performance management system effectiveness. *Organizational Dynamics*, 32(4), 396–404.
- MacDuffie, J. P. (1995). Human resource bundles and manufacturing performance: Organizational logic and flexible production systems in the world auto industry. *Industrial and Labor Relations Review*, 48(2), 197–221.
- Majumder, M., & Hossain, T. (2012). Human resource management practices and employees' satisfaction towards private banking sector in Bangladesh. *International Review of Management and Marketing*, 2(1), 52–58.
- Marrelli, A. F. (2011). Problems and remedies in performance management: A federal-sector perspective. *Industrial and Organizational Psychology*, 4(2), 169–172.
- Masum, A. K. M., Azad, M. A. K., & Beh, L.-S. (2016). The role of human resource management practices in bank performance. *Total Quality Management & Business Excellence*, 27(3–4), 382–397.
- Mayer, R. C., & Davis, J. H. (1999). The effect of the performance appraisal system on trust for management: A field quasi-experiment. *Journal of Applied Psychology*, 84(1), 123–136.

- McAfee, R. B., & Champagne, P. J. (1993). Performance management: A strategy for improving employee performance and productivity. *Journal of Managerial Psychology*, 8(5), 24-32.
- Mmieh, F., Mordi, C., Singh, S., & Asiedu-Appiah, F. (2011). Performance management in public sector enterprises: A case analysis of employees' perceptions in the electricity company of Ghana (ECG). *Journal of African Business*, 12(3), 419-438.
- Mone, E. M., London, M., & Mone, E. M. (2018). *Employee engagement through effective performance management: A practical guide for managers*. New York: Routledge.
- Nawab, S., Bhatti, K. K., & Shafi, K. (2011). Effect of motivation on employees performance. *Interdisciplinary Journal of Contemporary Research in Business*, 3(3), 1209-1216.
- O'Leary, R. S., & Pulakos, E. D. (2011). Managing performance through the manager-employee relationship. *Industrial and Organizational Psychology*, 4(2), 208-214.
- Peña, I., & Villalero, M. (2010). Business strategy, human resource systems, and organizational performance in the Spanish banking industry. *The International Journal of Human Resource Management*, 21(15), 2864-2888.
- Podsakoff, P. M., MacKenzie, S. B., Lee, J.-Y., & Podsakoff, N. P. (2003). Common method biases in behavioral research: A critical review of the literature and recommended remedies. *Journal of Applied Psychology*, 88(5), 879-903.
- Pulakos, E. D. (2009). *Performance management: A new approach for driving business results*. John Wiley & Sons.
- Pulakos, E. D., & O'LEARY, R. S. (2011). Why is performance management broken? *Industrial and Organizational Psychology*, 4(2), 146-164.
- Raj, S., Walia, N., & Gill, P. K. (2011). Developing an integrated information system to enhance employee performance. *Global Business & Management Research*, 3(1), 7-20.
- Ramsay, H., Scholarios, D., & Harley, B. (2000). Employees and high-performance work systems: Testing inside the black box. *British Journal of Industrial Relations*, 38(4), 501-531.
- Roberts, G. E. (2003). Employee performance appraisal system participation: A technique that works. *Public Personnel Management*, 32(1), 89-98.
- Rubino, J. A. (1997). A guide to successfully managing employee performance: Linking performance management, reward systems, and management training. *Employment Relations Today*, 24(2), 45-53.
- Sahoo, C., & Mishra, S. (2012). Performance management benefits organizations and their employees. *Human Resource Management International Digest*, 20(6), 3-5.
- Saks, A. M., & Gruman, J. A. (2011). Manage employee engagement to manage performance. *Industrial and Organizational Psychology*, 4(2), 204-207.
- Samarakone, P. (2010). Improving performance appraisals using a real-time talent management system: The advantages of a real-time talent management system. *Human Resource Management International Digest*, 18(4), 35-37.
- Sardar, S., Rehman, A., Yousaf, U., & Aijaz, A. (2011). Impact of HR practices on employee engagement in banking sector of Pakistan. *Interdisciplinary Journal of Contemporary Research in Business*, 2(9), 378-389.
- Sarker, A. (2014). Increasing employee job satisfaction as well as organizational performance through effective HRM practices in private commercial banking sector of

- Bangladesh. *Journal of Economics and Sustainable Development*, 5(10), 157–165.
- Sharif, A. M. (2002). Benchmarking performance management systems. *Benchmarking: An International Journal*, 9(1), 62–85.
- Shrivastava, A., & Purang, P. (2011). Employee perceptions of performance appraisals: A comparative study on Indian banks. *The International Journal of Human Resource Management*, 22(3), 632–647.
- Siddiqi, K. O. (2011). Interrelations between service quality attributes, customer satisfaction and customer loyalty in the retail banking sector in Bangladesh. *international Journal of Business and Management*, 6(3), 12–36.
- Sripirabaa, B., & Krishnaveni, R. (2009). Performance management systems in an Indian manufacturing sector. *Management Research News*, 32(10), 942–952.
- Steelman, L. A., & Rutkowski, K. A. (2004). Moderators of employee reactions to negative feedback. *Journal of Managerial Psychology*, 19(1), 6–18.
- Tabassum, A., Rahman, T., & Jahan, K. (2011). Quality of work life among male and female employees of private commercial banks in Bangladesh. *International Journal of Economics and Management*, 5(1), 266–282.
- Takeuchi, R., Chen, G., & Lepak, D. P. (2009). Through the looking glass of a social system: Cross-level effects of high-performance work systems on employees' attitudes. *Personnel Psychology*, 62(1), 1–29.
- Taylor, P. J., & Pierce, J. L. (1999). Effects of introducing a performance management system on employees' subsequent attitudes and effort. *Public Personnel Management*, 28(3), 423–452.
- Ukko, J., Tenhunen, J., & Rantanen, H. (2007). Performance measurement impacts on management and leadership: Perspectives of management and employees. *International Journal of Production Economics*, 110(1-2), 39–51.
- Vinerean, S., Cetina, I., & Dumitrescu, L. (2013). Modeling employee satisfaction in relation to CSR practices and attraction and retention of top talent. *Expert Journal of Business and Management*, 1(1), 4–14.
- Williams, B., Onsman, A., & Brown, T. (2010). Exploratory factor analysis: A five-step guide for novices. *Australasian Journal of Paramedicine*, 8(3), 1–13.
- Wong, Y. L., & Snell, R. S. (2003). Employee workplace effectiveness: Implications for performance management practices and research. *Journal of General Management*, 29(2), 53–69.

Appendix - A
Variables of EPMS

Code	Statements	Variables	Reference
EPMS 1	EPMS helps in developing a healthy relationship between management and employees	Relationship	(O'Leary & Pulakos, 2011; Ukko et al., 2007)
EPMS 2	The system should keep the employees motivated	Motivation	(Boachie-Mensah & Seidu, 2012; Aslam et al., 2011)
EPMS 3	It should keep the employees actively engaged	Engagement	(Brown & Hirsh, 2011)
EPMS 4	It facilitates productivity among the employees	Productive	(Aslam et al., 2011)
EPMS 5	Employees attitude should be positive towards EPMS	Attitude	(Roberts, 2003)
EPMS 6	EPMS must support a high-performance culture	Culture	(Kagaari et al., 2010; Taylor & Pierce, 1999)
EPMS 7	It should foster job satisfaction among the employees	Job-satisfaction	(Aslam et al., 2011)
EPMS 8	Current EPMS should be developed using modern appraisal methods	Modern	(Pulakos & O'LEARY, 2011)
EPMS 9	Performance indicators must be aligned with organizational goals and objectives	Aligned	(Boachie-Mensah & Seidu, 2012; Brown & Hirsh, 2011)
EPMS 10	EPMS should promote a conducive work environment that aids individual performance	Conducive Environment	(Collins & Smith, 2006)
EPMS 11	EPMS should clear the performance expectation to the employees	Clear Expectation	(Sahoo & Mishra, 2012; Pulakos & O'LEARY, 2011)
EPMS 12	Performance indicators should be set collectively through the goal sharing process	Goal-sharing	(Roberts, 2003; Pulakos & O'LEARY, 2011)
EPMS 13	Performance Indicators have to be fair	Fair Indicators	(Dewettinck & van Dijk, 2013; Rubino, 1997)
EPMS 14	Performance evaluation method needs to be transparent	Transparent	(Heinen & O'Neill, 2004; Samarakone, 2010)
EPMS 15	Performance should be linked with the reward system	Reward System	(Lawler, 2003; Baltes & Parker, 2000)
EPMS 16	The employer should provide a necessary guideline to understanding the job description of the employee	Job Description	(Saks & Gruman, 2011; Pulakos & O'LEARY, 2011)
EPMS 17	Employees should be given the freedom to decide their method of doing work	Freedom	(Roberts, 2003)
EPMS 18	The self-appraisal should be introduced in the performance evaluation method	Self-appraisal	(Grigoroudis & Zopounidis, 2012)
EPMS 19	Supportive feedbacks on performance gap should be provided with specific development needs	Supportive Feedback	(Beer & Ruh, 1976; Dahling & O'Malley, 2011)
EPMS 20	Negative feedback must be given by protecting the dignity of the appraisee	Negative Feedback	(Laworski & Kohli, 1991; Steelman & Rutkowski, 2004)
EPMS 21	Sufficient training should be organized to support effective performance	Training	(Rubino, 1997; Biron et al., 2011)
EPMS 22	Superiors are supposed to be helpful to facilitate performance	Helpful	(Marrelli, 2011; Beer & Ruh, 1976)
EPMS 23	High performers should be fairly rewarded.	Fairly Rewarded	(Nawab et al., 2011; Taylor & Pierce, 1999)
EPMS 24	EPMS must gather necessary information pertinent to promotion decisions	Promotion	(Raj, Walia, & Gill, 2011; McAfee & Champagne, 1993)