
Examining the Relationship between the Efficacy of Performance Management Systems, Psychological Contracts, and Organizational Citizenship Behaviour in Contemporary Work Settings in Delhi NCR

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ABSTRACT

In the dynamic and diverse business environment of Delhi NCR, a meticulous examination of performance management systems (PMS) is essential for enhancing organizational effectiveness. This research focuses on understanding the intricate relationship among employee perceptions of PMS effectiveness, Psychological Contract (PC), and Organizational Citizenship Behavior (OCB) within the specific context of Delhi NCR. Through the analysis of responses from 251 employees across various industries, collected via a structured questionnaire, the study uncovers nuanced associations and delivers valuable insights tailored to businesses operating in this unique setting.

The metropolitan complexities of Delhi NCR demand a nuanced exploration of how PMS influences employee perceptions, shaping both the psychological contract and organizational citizenship behavior. By encompassing diverse perspectives from employees across different industries prevalent in the region, this research aims to provide practical insights for organizations looking to optimize their performance management strategies. Through quantitative data synthesis, the study offers a concise yet comprehensive understanding of these relationships, presenting actionable findings that organizations can leverage to foster a more effective and harmonious work environment in the multifaceted realm of Delhi NCR.

***Key words:* Psychological contract, Performance Management system, Citizenship Behaviour, Organizational justice, Positive work outcomes, Social exchange relationship**

Introduction

In the swiftly evolving and culturally rich milieu of Delhi NCR, the efficacy of performance management stands as a pivotal determinant of organizational success. Numerous scholars have, over time, delved into diverse facets of performance management systems (PMS) and their profound impact on organizational outcomes. PMS is commonly characterized as an ongoing process involving the identification, measurement, and enhancement of individual performance, aligning it with the strategic objectives of the organization (Mone & London, 2018, p. 12).

This research paper seeks to further explore the intricate dynamics among PMS effectiveness, the psychological contract, and organizational citizenship behavior (OCB) within the context of the contemporary work environment. Our study is designed to probe into the perceptions of employees in Delhi NCR regarding their organization's PMS and, in turn, to elucidate how these perceptions shape their work behavior. By scrutinizing these interconnections, our research endeavors to contribute valuable insights into the nuanced relationship between PMS effectiveness and employee behavior in the unique and dynamic setting of Delhi NCR.

The significance of this research lies in its implications for both organizational success and employee well-being. In today's dynamic environment, organizations need to adopt a performance management approach that fosters a positive work environment and encourages employee engagement and motivation. If employees feel disengaged or perceive that their organization has violated their psychological contract, they may not engage in OCB. OCB refers to behavior that goes beyond formal job responsibilities and contributes to the effective functioning of the organization (Organ, 1988). Studies have found that OCB leads to better organizational outcomes such as improved performance, innovation, and lower turnover rates (Podsakoff, MacKenzie, Paine & Bachrach, 2000). Through an empirical investigation, our research endeavors to contribute to the existing body of knowledge on PMS in the context of Delhi NCR. We will explore the link between PMS effectiveness, psychological contract, and OCB. Specifically, we will examine how PMS effectiveness impacts employees' psychological contract perceptions and their subsequent work behavior. We will also explore the role of trust in the relationship between PMS and OCB. Trust is a critical factor in the psychological contract as it underpins the exchange of promises and obligations between employees and their employer (Rousseau, 1989).

The findings of this study will not only shed light on the specific challenges and opportunities associated with PMS in the Delhi NCR region but also inform managers and practitioners on how to

develop more effective strategies for fostering positive work behavior and ultimately maximizing organizational success. By understanding the impact of PMS effectiveness on employees' psychological contract and OCB, organizations can create a work environment that supports employee motivation, well-being, and productivity. The study aims to shed light on the role of performance management in fostering positive work behavior in Delhi NCR. We believe that the findings of this study will contribute to the existing body of literature on PMS and provide practical insights for organizations seeking to enhance their performance management practices.

Literature Review

Performance Management System (PMS)

A Performance Management System (PMS) represents a comprehensive framework for managing performance, encompassing various developmental activities with performance appraisals as a focal point (Zhang, 2012; DeNisi, 2000). The terms PMS and appraisals are often used interchangeably, but PMS is a broader approach aimed at controlling organizational performance through employee performance (Furnham, 2004; Gosselin, Werner, & Hallé, 1997). A *Performance Management System* goes beyond the scope of traditional performance appraisals. It involves a strategic and integrated approach to managing performance, incorporating various initiatives such as performance-based budgeting, pay for performance, and management by objectives. These initiatives are essential components of an effective PMS, contributing to the alignment of individual and organizational goals for improved overall performance (Furnham, 2004; Gosselin, Werner, & Hallé, 1997).

The Performance Management System (PMS), as outlined by Heinrich (2002), encompasses strategic initiatives such as performance-based budgeting, where financial allocations align with performance objectives. Pay for performance involves linking employee compensation to individual or team achievements, fostering a culture of excellence. Additionally, the system incorporates Management by Objectives (MBO), a goal-setting approach where organizational objectives guide employee goal-setting, promoting alignment with overall company goals. These initiatives collectively form a comprehensive framework aimed at optimizing organizational performance through strategic budgeting, incentivized compensation structures, and goal-oriented management practices (Heinrich, 2002).

Lawler's perspective (2003) emphasizes that PMS goes beyond mere appraisal; it involves motivating performance, aiding individual development, fostering a performance culture, identifying promotions, removing non-contributors, and aligning with business strategies.

Performance Management System Effectiveness (PMSE)

The effectiveness of a Performance Management System (PMSE) is crucial for achieving organizational and employee outcomes. PMSE is defined by employee perceptions regarding the system's effectiveness in realizing organizational goals (Vlăsceanu, Grünberg, & Pârlea, 2005). Engler (2014) underscores the importance of a Performance Management System (PMS) that fosters collaboration and effectively elicits the desired response from employees. The emphasis on collaboration suggests that a PMS should go beyond individual assessments, promoting a collective effort to achieve organizational goals. On the other hand, Sharma et al. (2016) highlight the challenge in measuring Performance Management System Effectiveness (PMSE) due to its multifaceted nature. The complexity of aligning diverse elements and objectives within a PMS makes quantifying its impact on organizational success a challenging task, emphasizing the need for nuanced evaluation strategies.

Equity Theory, developed by Adams (1963), offers valuable insights into how individuals evaluate the fairness of a PMS. According to this theory, individuals assess the equity of their work situation by comparing their inputs (contributions to the organization, such as effort, skills, and dedication) with the outputs (compensation, recognition, and other rewards) they receive. When employees perceive a fair balance between their contributions and rewards, it promotes a positive work environment, fostering loyalty, active participation, and enhanced organizational citizenship behavior. Equity Theory thus provides a conceptual framework for understanding the psychological dynamics that underlie the relationship between PMSE, perceived fairness, and consequential employee behaviors.

The research findings presented by Gruman and Saks (2011), Gupta and Kumar (2012), and Selden and Sowa (2011) collectively suggest that Performance Management System Effectiveness (PMSE) plays a pivotal role in shaping various long-term outcomes within an organization. The positive impact of an effective PMS is evident in enhanced employee loyalty, increased participation in organizational activities, improved retention rates, and the promotion of citizenship behavior.

Psychological Contract (PC)

The Psychological Contract (PC) represents an informal agreement capturing mutual beliefs, perceptions, and unwritten obligations between employees and their organization (Sims, 1994). It revolves around employees' expectations of fair treatment, utilizing their capabilities, equal

compensation, competence demonstration, opportunities for improvement, and clarity about job expectations (Herriot, Manning, & Kidd, 1997).

Guest (2014), in his paper "The Evolution of the Psychological Contract: A Critical Review" explores the evolution of the psychological contract, emphasizing shifts from traditional, stable employment relationships to more dynamic, flexible arrangements. The paper traces historical changes in employment models, highlighting the impact of economic, technological, and social forces. It discusses the implications of these shifts on individuals' expectations, organizational commitments, and the overall psychological contract.

Social exchange theory, rooted in reciprocity, aids in understanding the PC. According to Gouldner (1960), individuals reciprocate positive treatment received from others, evaluating the cost-benefit analysis. Employees are motivated to reciprocate favorable treatment by benefiting the organization (Eisenberger et al., 2001).

Types of Psychological Contract

Rousseau, Schalk, and Schalk (2000) classify psychological contracts into Transactional and Relational contracts. Transactional contracts, akin to formal legal agreements, involve explicit terms and regulations. In contrast, Relational contracts focus on social affinity, organizational support, and loyalty, with less emphasis on legalities (Montes & Irving, 2008; Macneil&Gudel, 2001).

Employees with relational contracts exhibit greater willingness to contribute beyond formal requirements, including working overtime, assisting colleagues, and supporting organizational changes (Cavanaugh & Noe, 1999).

Organizational Citizenship Behavior (OCB)

Organizational Citizenship Behavior (OCB) refers to discretionary, non-rewarded individual behaviors that promote effective organizational functioning (Organ, 1988). These behaviors, not enforceable by formal rewards, contribute to the organization's success and enhance interpersonal relationships among employees (Agustiniingsih et al., 2016). OCBs go beyond formal job requirements, showcasing employees' commitment to the organization's well-being without expecting direct rewards (Podsakoff et al., 2000). Despite debates on OCB dimensions, it is clear that these behaviors benefit the organization. The next section will delve into the interplay between Performance Management System Effectiveness (PMSE), Psychological Contract (PC), and Organizational Citizenship Behavior (OCB), examining how these elements collectively shape employee behavior in organizational settings.

Hypothesis Development

PMSE and OCB

Hypothesis 1a: Employee perception of PMSE is not related with OCB among employees.

Hypothesis 1b: Employee perception of PMSE is positively related with OCB among employees.

PMSE and Psychological Contract

Hypothesis 2a: Employee perception of PMSE is not related with PC of employees.

Hypothesis 2b: Employee perception of PMSE is positively related with PC of employees.

Psychological Contract and OCB

Hypothesis 3a: Transactional psychological contracts will not influence OCB of employees.

Hypothesis 3b: Relational psychological contracts will influence OCB of employees.

PMSE, PC, and OCB

Hypothesis 4a: “Psychological contract does not mediate the relationship between perceived effectiveness of PMS and employee OCB”.

Hypothesis 4b: “Psychological contract mediates the relationship between perceived effectiveness of PMS and employee OCB”.

Procedures and Sample

To capture the diverse perspectives prevalent in the Delhi NCR workplace, a meticulously designed quantitative survey was administered across various sectors, including IT, finance, and manufacturing. The sample, comprising 251 employees, was drawn from leading organizations to ensure a representative cross-section of the regional workforce.

Measures

In adapting measurement scales for PMSE, OCB, and PC, careful consideration was given to the unique cultural nuances and organizational intricacies specific to Delhi NCR. The scales were designed to capture not only the quantitative aspects but also the qualitative dimensions of employee perceptions in this diverse setting.

Results and Analysis

The results of the study revealed several significant findings that shed light on the relationship between Performance Management System Effectiveness (PMSE), Psychological Contract (PC), and Organizational Citizenship Behavior (OCB) in the context of Delhi NCR.

First, the statistical analyses showed a robust and positive relationship between PMSE and OCB ($\beta=0.5737$, $p < 0.001$). This finding highlights the crucial role of an effective performance management system in shaping employee behavior in Delhi NCR. When employees perceive that the performance management system is effective, they are more likely to engage in behaviors that go beyond their formal job responsibilities and contribute to the overall effectiveness of the organization. Additionally, the study found a positive correlation between PMSE and PC ($\beta = 0.363$, $p < 0.05$). This suggests that when employees perceive the performance management system to be effective, it positively influences their psychological contract with the organization. A strong psychological contract is characterized by mutual expectations and obligations between the employee and the organization, enhancing employee engagement and commitment. Furthermore, the analysis revealed that both transactional and relational psychological contracts exhibited positive connections with OCB ($\beta= .340$, $p < .05$; $\beta= .490$, $p < .05$, respectively). This finding highlights the importance of both types of psychological contracts in shaping employee behavior in the complex regional context of Delhi NCR. Transactional contracts, which focus on explicit promises and obligations, and relational contracts, which center on trust and mutual understanding, contribute to employees' willingness to engage in behaviors that benefit the organization.

The mediation analysis conducted in the study also provided insights into the underlying mechanisms at play. It indicated the significant indirect effect of PMSE on OCB through the mediation of PC. This suggests that the influence of PMSE on OCB is partially explained by employees' perceptions of their psychological contract with the organization. A well-functioning performance management system can shape employees' perceptions of their employer's obligations and, in turn, their willingness to engage in OCB. The discussions around these findings emphasize the importance of employee perceptions of PMSE in Delhi NCR and delve into the specific elements that contribute to shaping Psychological Contracts and fostering positive OCB. The study highlights the need for organizations in the region to pay attention to their performance management practices and ensure that they align with employee expectations and cultural nuances. By fostering a positive and effective performance management system, organizations can enhance employee engagement, productivity, and ultimately, organizational performance in Delhi NCR.

In conclusion, this study provides comprehensive insights into the relationships between PMSE, PC, and OCB in the context of Delhi NCR. It emphasizes the role of an effective performance management system in shaping employee behavior, enhancing their psychological contract with the

organization, and promoting organizational citizenship behaviors. The findings have practical implications for organizations seeking to optimize their performance management practices and create a work environment that aligns with employee expectations, resulting in increased productivity and performance in Delhi NCR.

Discussion

The findings not only emphasize the importance of employee perceptions of PMSE in Delhi NCR but also delve into the specific elements that contribute to shaping Psychological Contracts and fostering positive OCB. The discussion delves into the implications of these findings for organizational strategies and practices in the region.

Conclusion and Practical Implications

In the dynamic and ever-evolving business landscape of Delhi NCR, the study unequivocally concludes that a meticulously designed and culturally sensitive Performance Management System (PMS) exerts a profoundly positive influence on employee behavior. The implications of these findings are of paramount importance for organizations operating in this region. To truly harness the potential of these insights, organizations should consider tailoring their PMS strategies to create a workplace environment that not only meets but exceeds employee expectations, thereby fostering a symbiotic relationship that significantly augments overall productivity and performance. Delving into the practical implications of this research, organizations are encouraged to adopt a multifaceted approach. Firstly, customization of PMS practices to align with the unique cultural elements of Delhi NCR is imperative. This involves a nuanced understanding of the cultural fabric that shapes employee perceptions of PMS effectiveness, psychological contracts, and organizational citizenship behavior. Moreover, recognizing the diversity across industries prevalent in Delhi NCR, organizations should conduct sector-specific studies. These in-depth investigations will uncover the intricacies of performance management challenges and opportunities within each industry, enabling the development of tailored strategies to address sector-specific needs. For a more comprehensive understanding, organizations are advised to engage in longitudinal studies. By tracking the dynamics of PMS effectiveness, psychological contracts, and organizational citizenship behavior over an extended period, organizations can gain insights into the sustainability of their performance management practices and adapt them in response to evolving employee and organizational needs.

In addition to local insights, a broader perspective can be achieved through comparative analyses. Contrasting findings from Delhi NCR with other metropolitan areas or regions with distinct cultural and business characteristics will unveil universal principles and context-specific factors, offering a well-rounded view for organizations to refine their performance management strategies. To capture the depth of employee experiences, qualitative exploration is recommended. Supplementing quantitative data with qualitative insights obtained through interviews or focus groups will provide organizations with a nuanced understanding of employee perspectives, facilitating the development of targeted and impactful interventions. Building on these insights, organizations are encouraged to embark on intervention studies. By implementing and evaluating interventions based on the research findings, organizations can actively contribute to the enhancement of PMS, psychological contracts, and organizational citizenship behavior in real-world organizational settings. This proactive approach ensures that the practical implications of the research are not only understood but also applied in a manner that optimizes overall organizational performance in Delhi NCR's dynamic business environment.

Limitations

Despite the valuable insights gained from this research, it is imperative to acknowledge certain limitations that may impact the generalizability and applicability of the findings:

- 1. Regional Specificity:** The study focused on Delhi NCR, and while this specificity provides valuable insights into the local context, it may limit the generalizability of the findings to broader geographical regions or diverse cultural settings.
- 2. Industry Variability:** The research encompassed various industries prevalent in Delhi NCR; however, the findings may not fully capture the unique challenges and dynamics of specific sectors. Future studies could explore industry-specific nuances.
- 3. Cross-Sectional Design:** The research adopted a cross-sectional design, capturing a snapshot of employee perceptions. Longitudinal studies could offer a more comprehensive understanding of the evolving relationships between PMSE, PC, and OCB over time.

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