

Exploratory Study On Performance Management And Performance Rewards: a Systematic Literature Review

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Abstract

Business and HR leaders are under constant pressure to leverage their human capital to maximize organizational performance and remain competitive. These strategic goals are interconnected with the performance management and performance reward systems. Further, adoption of digital HR has resulted in significant impact on performance management and rewards, especially within Indian businesses. This study investigates the relationship between performance management and performance rewards, aiming to understand how the integration of structured performance management systems with various reward mechanisms, which influence employee motivation and organizational success. The research examines the role of factors such as feedback, review, and goal alignment in enhancing the effectiveness of rewards. It further examines key factors such as the frequency and transparency of performance reviews and its impact on employee perception of fairness, the role of feedback, and the alignment between individual and organizational goals. By meticulously analyzing these dynamics, the study provides insights into how organizations can optimize their performance management and reward strategies to drive employee engagement and achieve strategic objectives. Systematic literature review has been carried out by using PRISMA framework by studying sixty-two research articles including six foundational theories. Most research articles are largely 2019 onwards, however few articles before 2019 have also been included based on relevance and reliability. This is a qualitative study to measure the relationship between performance management and performance rewards. Limitations of the study are discussed further in the paper.

Keywords: Performance management system; performance rewards; digital HR, goal setting and alignment; performance review and evaluation; transparency and fairness; digitalisation of performance management

Introduction

Many organisations have a process in place to drive performance management (PM), but very few organisations drive the PM exercise with an intent to provide constructive feedback, evaluate employee performance and offer development opportunities. Further, very fewer companies establish the correlation between performance and rewards by differentiating high, medium, and low performance.

The relationship between performance management and performance rewards is a critical aspect of organizational performance. Performance management involves the systematic process of planning, monitoring, and evaluating employee performance in alignment with organizational goals. Performance rewards, on the other hand, are the incentives—monetary or non-monetary—offered to employees as recognition for their contributions. The correlation between these two elements lies in their mutual reinforcement; a well-structured performance management system sets the stage for fair and motivating rewards, while the prospect of rewards incentivizes employees to meet or exceed performance expectations.

It is important that the performance metrics are directly correlated with the rewards, as traditional reward systems often fail to accurately reflect the performance achievement. The difficulties in designing performance metrics that are both fair and effective, given the complexity of the roles and the need for individualized performance assessments. There is a challenge in maintaining consistency between performance evaluations and rewards across the organisation, which can lead to perceptions of inequity and reduced motivation. There is a need for more integrated and adaptable reward systems that better match performance outcomes and performance expectations. Effective performance management identifies and nurtures high performers, while rewards systems recognize and incentivize their contributions.

This dynamic interplay not only drives individual motivation and accountability but also contributes to the overall success of the organization by ensuring that employees are aligned with and committed to achieving its strategic objectives.

Research Questions

This research delves into the correlation between performance management and performance rewards, focusing on how structured performance management systems influence the effectiveness of rewards in motivating employees. It examines key factors such as the frequency and transparency of performance reviews, the role of feedback, and the alignment between individual and organizational goals. The study explores the impact of extrinsic rewards, and how these elements interact to shape employee satisfaction, performance outcomes, and overall organizational success. Research gaps are identified through available studies in the field, which lead to the research questions. Literature reviews critically evaluate the existing research, synthesise the study, identify problem areas and develop a strong framework through qualitative research. Six research questions have been identified:

1. How does performance management influence the effectiveness of performance rewards?
2. How does effective goal setting affect reward outcomes?
3. What is the impact of employee performance review on the perceived fairness of rewards?
4. What is the impact of performance feedback on rewards?
5. How does performance appraisal influence performance rewards?
6. How does the integration of Digital HR influence relationship between performance management systems and the effectiveness of performance rewards?

Research Objectives

This study aims to focus on correlation between performance management and performance rewards within an organization. Primarily there are six research objectives:

1. To evaluate correlation between performance management and performance rewards
2. To examine impact of goals on reward outcome

3. To examine impact of employee performance review on fairness of rewards
4. To examine impact of performance feedback on rewards
5. To examine influence of performance appraisal on performance rewards
6. To examine impact of Digital HR and the relationship between performance management systems and the effectiveness of performance rewards

Literature Review

This paper presents views of Indian and international authors who have conducted qualitative and quantitative studies on performance management system and performance rewards. The research aims to examine the correlation between performance management and performance rewards. It considers various performance factors that influence rewards within an organisation. The proposed research model includes performance management as independent variable and performance rewards as dependent variable. Performance management includes practices like goal setting, continuous feedback, reviews and performance appraisals. It represents the process through which organizations assess and manage employee performance. Performance rewards are the incentives provided to employees based on their performance, which could be monetary (increments, bonuses, variable pay) or non-monetary (recognition, promotions, upgradations).

The relationship between performance management and performance rewards is a critical area of study in organizational behaviour and human resource management. Literature review is focused on an effective performance management system, which includes clear goal setting, continuous feedback, and performance evaluation, creates a structured environment where employees understand what is expected of them. This clarity leads to improved job performance as employees are more likely to align their efforts with organizational objectives. Several studies indicate that performance management practices are positively correlated with the implementation of performance rewards, as these systems provide the necessary framework to identify high performers and reward them accordingly. Rewards act as a powerful motivator for employees, reinforcing desired behaviours and encouraging sustained high performance.

Foundational theories explain performance management and performance rewards, shape HR practices and organizational strategies. Expectancy Theory, by Vroom (1964), links effort, performance, and rewards; AMO Theory, by Bailey (1993), emphasizes ability, motivation, and opportunity as drivers of performance; and Equity Theory, by Adams (1963), focuses on fairness in the workplace. Similarly, Self-Determination Theory, by Deci & Ryan (1985) highlights the importance of intrinsic motivation; Goal-Setting Theory, by Locke & Latham (1990), stresses the impact of clear and challenging goals on performance; and Human Capital Theory, by Becker (1964), underscores the value of investing in employee development. These theories provide a framework for understanding how performance management and performance rewards are linked together. Theories also help in selecting appropriate methodologies, structuring literature reviews, and offering a lens through which data can be analysed and discussed. By grounding research in established theoretical frameworks, a thesis gains credibility, coherence, and academic rigor, contributing meaningful insights to the field.

The literature indicates that the integration of performance management with performance rewards can significantly impact employee motivation and engagement. When employees perceive the performance management process as fair and transparent, and when rewards are closely tied to their performance outcomes, they are more likely to be motivated to achieve higher levels of performance. This positive reinforcement cycle not only enhances individual performance but also contributes to overall organizational success. However, the effectiveness

of this correlation depends on the alignment between the performance management system and the reward mechanisms. If rewards are perceived as inconsistent or biased, the intended benefits of performance management may be undermined, leading to decreased motivation and potential disengagement. Thus, the literature focuses on the importance of designing performance management systems that are closely linked with fair and meaningful performance rewards to achieve optimal organizational outcomes.

Systematic Literature Review Process

Research discovers knowledge on a specific subject to explore an idea, dissect a problem, make a strong argument and go beyond one's own feelings, experiences, opinions and thoughts (Clarke, 2005). Research is undertaken to determine a strong compelling reason to explain the impact of change in an existing process, explore new problem areas and confirm existing knowledge on current issues. The 'research onion' is one of the most popular and widely used research models for business and management studies (Saunders, et al., 2019).

This research is a qualitative study by reviewing existing literature in the field of performance management system and performance rewards to measure the relationship between performance management and performance rewards. The PRISMA framework developed by the author, shown in figure 1, plays a significant role in identifying the database transparently and unbiasedly to systematically review the literature.

The study involves a detailed review of the literature from various sources. The databases includes

- EBSCO
- ProQuest
- SCOPUS

The literature review facilitated in identify the gaps and limitations and resulted in categorising performance management as independent variables and six sub-variables, and their impact on the performance rewards, as shown in the figure 1 below.

Missing links between performance and rewards disengages an employee, which impacts their work productivity and ultimately prompts them to leave the organisation. Remuneration, promotion and recognition have a strong inter-relationship, which form a comprehensive reward system to retain talent (Amadi, et al., 2021). While merit-based pay systems can provide incentives for high performance, its impact on long-term employee retention is mixed, therefore, it should be a combination of financial incentives and supportive measures, such as professional development and improved working conditions, to achieve talent retention (Pham, et al., 2021).

A combination of keywords and Boolean search operators were used to refine the search results. The key terms included:

- performance management system
- performance rewards
- goal setting and alignment
- performance review and evaluation
- transparency and fairness
- digitalisation of performance management

Boolean search operators such as AND, OR, and NOT were used to filter the most relevant studies while excluding irrelevant or duplicate results.

Identification	Records identified through various databases	4010
	Duplicated records removed	NIL
Screening	Screening based on	relevance, reliability and recent research in the field of performance and rewards
	Publication Years	Largely research from 2019 onwards
		Few research before 2019 included based on relevancy
		Foundational studies in the field included
	Subject areas:	1. Performance Management System 2. Performance Rewards
	Language	Limited to English
	Research papers studied based on Title and Abstract	200
Eligibility & Selection	To ensure a focused and relevant literature selection, this study used specific inclusion and exclusion criteria:	
	Inclusion	Keywords Studies in Human Resources area Studies showing linkages between performance management and performance rewards
	Exclusion	Medical fields Technical fields Opinion pieces Newspaper articles
	Research papers eventually included in the final research	62

Figure 1: PRISMA Framework developed by the author

Conceptual Framework

The research facilitates the design of a systematic and structured research framework to answer the research questions. Based on the theoretical studies and initial literature review, the conceptual framework comprises of two variables and twelve sub-variables designed to establish relationship between the constructs. The interlinkages and correlations are shown in figure 2: Conceptual Framework, which is authors own creation.

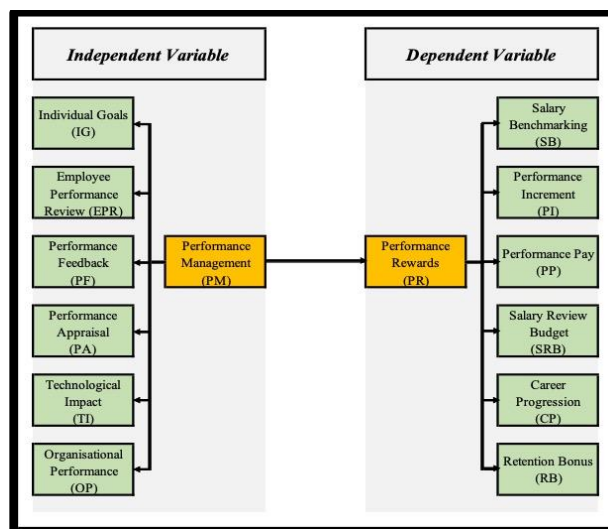


Figure 2: Conceptual Framework developed by the author

In the following section, a critical review of each variable and its relationship with performance rewards is presented.

Performance Management

Performance Management is an independent variable which has a relationship with performance rewards, which is a dependent variable. Sub-variables of performance management are as under, which have been further explained in the paper:

1. Individual goals (IG)
2. Employee performance review (EPR)
3. Performance feedback (PF)
4. Performance appraisal (PA)
5. Technological impact (TI)
6. Organisational performance (OP)

This research model provides a structured approach to investigating how performance management practices impact allocation of rewards. By investigating the relationships among these variables, the research model aims to provide insights into the specific mechanisms through research framework shown in Figure 1. It seeks to uncover the relationship between performance management (independent variable) and performance rewards (dependent variable).

Performance management (PM) covers objective setting, reviews, feedback, coaching, counselling, evaluation and management of low performance.

PM is the 'Achilles heel' of human capital management, often viewed as ineffective by employees and managers. Continuous ongoing activity throughout the year reflects effective PM behaviour whereas a few intermittent activities during the year are signs of poor PM behaviour (Pulakos, et al., 2012). Organisations should continuously work on setting expectations, offer regular feedback and support employees in achieving career goals. PM is an integrated model that covers performance measurement to focus on time, cost and quality dimensions and performance improvement to focus on cost reduction, profit, goodwill, customer satisfaction and future business growth (Parthiban & Goh, 2011). Performance appraisal is important for improving employee performance, motivation, satisfaction and overall development (Mufeed & Shah, 2017).

1. Individual Goals

The ambiguity around the PM system is continuous when it comes to linking goals with performance measures. Organisations need to focus on establishing the correlation between goals and expected performance deliverables from an employee (Yadav & Dabhade, 2013). The strength of PM is to set collaborative goals with measurable performance metrics. Goal setting should be specific and measurable to provide clarity to the employees on expected deliveries. Goal setting and performance appraisal have their respective strengths, and better integration motivates an employee to perform better (Sahai & Srivastava, 2012). Goal setting, feedback and reviews play a vital role in determining employee performance; therefore, it is imperative that all the steps are closely integrated with each other. An integrated PM system cycle results in setting clear expectation, high performance delivery and high work productivity, thus creating a high-performance culture (Pulakos, et al., 2012).

2. Employee Performance Reviews

Effective performance reviews assess and recognize employee contributions, which are critical for sustaining their motivation and commitment to the organization. A tailored performance

management system addresses the unique demands and expectations of employees to enhance retention and reduce turnover in the competitive manufacturing industry (Alias, et al., 2022). Regular performance reviews provide early alarms to the managers of any possible issues or roadblocks for them to take immediate corrective action and avoid any pitfalls (Roy, et al., 2023). Performance reviews for underperforming employees should be driven by designing performance improvement plan to address and enhance their performance. This fosters a culture of continuous improvement, while also identifying potential areas for further refinement and development (Islam, 2021). Regular performance reviews create positive work environment that fosters employee satisfaction, productivity, and retention (Sharma & Sharma, 2021).

3. Performance Feedback

Performance deliverables can be strengthened through effective and continuous feedback system. When an employee receives continuous feedback, mentoring and counselling, it improves overall work productivity (Yadav & Dabhade, 2013). With a high focus on feedback and demerits attached to appraisals, especially negativity around performance ratings due to the application of the Bell curve, companies are abandoning performance appraisal to focus on people development, agility to innovate and centrality of teamwork (Cappelli & Tavis, 2016). Performance feedback from multiple sources, such as peers, subordinates, supervisors, and self-assessments, can improve employee self-awareness and promote ongoing personal and professional development. The study highlights that these comprehensive feedback mechanisms are effective in driving performance improvements, fostering a culture of continuous improvement, and enhancing overall organizational effectiveness (Sreepabha, 2020). Feedback and effective rewards leads to improved job satisfaction, which are important motivators for employees to perform well to improve overall organizational outcomes (Sidhu & Nizam, 2020). Performance management framework is a process-oriented approach for employee appraisals and rewards, which emphasizes the processes that employees engage in to achieve their goals. The framework emphasises on defining the process, measuring the process, providing feedback and rewarding the process for better long-term outcomes for both employees and organizations (Shafagatova & Looy, 2021). There is a major transition from performance evaluation to talent development and supervisor feedback to multi-source feedback (Unnikrishnan, et al., 2022).

4. Performance Appraisal

Performance appraisal systems and competency management frameworks are influenced by factors like organizational culture, leadership and employee participation. Performance appraisal systems and competency management frameworks are effective tools for improving employee performance and productivity (Sahay & Kaur, 2021). A well-implemented performance appraisals lead to employee morale, better performance, and overall organizational growth, highlighting the crucial role of appraisals in human resource management (Alsuwaidi, et al., 2020). When performance appraisals are conducted fairly and constructively, they enhance employees' job satisfaction by providing clear feedback, setting achievable goals, and recognizing accomplishments. This increased job satisfaction, in turn, leads to higher employee retention rates. Performance appraisal is not only evaluating employee performance but also facilitates in boosting morale and commitment of the employee, thereby reducing turnover (Kalyanamitra, et al., 2020). Performance evaluations remain a staple in human resource management; their conventional forms are flawed and often ineffective. Managers tend to focus more on past performance rather than future development. It is imperative to make a shift towards more dynamic and developmental approaches that emphasize continuous feedback and employee growth, ra-

ther than rigid annual reviews. Organisations must rethink of performance management practices to better align with modern organizational needs and employee expectations (Murphy, 2020). A systematic and fair performance appraisal helps employees understand their strengths and areas for improvement, leading to enhanced job performance and overall productivity. The role of performance appraisals is important in providing essential feedback and development opportunities, thereby boosting employee performance and contributing to organizational success (Almulaiki, 2023).

5. Technological Impact – Digital HR Practices

Digitalization in HR is imperative for future workforce. Digital HRM practices are immensely valuable in enhancing employee motivation and performance to improve overall organizational performance. Organizations can improve employee motivation by providing digital HRM tools like online training and development programs, performance management systems, and online communication platforms (Al-kharabsheh, et al., 2023). Digital performance, competence, and motivation are crucial factors in enhancing employee performance and productivity in digital era. Organisations must provide employees with the necessary digital tools and resources to improve their performance, simultaneously, investing in their competence to enhance motivation (Kurniasih, et al., 2022). Organizations that adopts technologies are better able to adapt to the challenges of the during tough business scenarios and maintain high performance. COVID-19 outbreak had a negative impact on employee performance due to disruptions in work routines, increased workloads, and other stressors associated with the pandemic, however, Industry 4.0 base technologies, such as automation, artificial intelligence, and big data analytics, can help mitigate the negative impact of the pandemic on employee performance. Technology adoption facilitates an organisation in promoting organizational resilience and employee well-being during times of crisis (Narayanamurthy & Tortorella, 2021). An empirical study found a positive correlation between business intelligence effectiveness and corporate performance management, suggesting that effective business intelligence can improve performance management in organizations (Richards, et al., 2019). Organizations are adopting digital technologies to enhance their performance management practices, with the aim of improving employee engagement, productivity, and performance. Digital shift is also driving changes in the role of HR professionals, who are increasingly seen as strategic partners and coaches. It is important to involve employees in the design and implementation of digital tools, provide training to ensure that performance management practices align with the organization's culture and values (Schrage, et al., 2019). Employees who perceive performance appraisal as fair and accurate are more likely to engage in innovative behaviour, such as generating new ideas, experimenting with new approaches, and adopting new technologies. Performance appraisal can be a powerful tool for promoting innovation, but only if it is perceived as relevant and effective by employees and if it is embedded in a culture that values creativity and experimentation. However, digital era requires a shift in performance appraisal practices, with a greater emphasis on feedback, collaboration, and continuous learning (Curzi, et al., 2019).

6. Organisational Performance

Performance objectives and organisational vision and mission are key ingredients of PM, and they display a strong relationship with organisational effectiveness (Kumar, 2019). Organizational culture plays a critical role in shaping organizational performance. Understanding and cultivating a positive culture can enhance various performance indicators and contribute to overall organizational success (Akpa, et al., 2021). High-potential employees can lead to significant benefits such as enhanced organizational performance and innovation. It requires a balanced approach to align with broader organizational goals and considers the impact on all

employees (Bhatia & Papor, 2020). HR analytics can significantly enhance organizational performance by providing actionable insights into workforce trends, including attrition rates. Effective use of HR analytics can lead to better decision making and strategies to mitigate the negative impacts of attrition. It is important to carefully manage integration of analytics to ensure that it aligns with organizational goals and improves overall performance (Kiran, et al., 2023). Managers define, facilitate and encourage performance to meet individual goals and strategic organisational objectives (Cascio, 2012).

Performance Rewards

Performance rewards are extrinsic and intrinsic in nature. Extrinsic rewards cover performance increment, performance variable pay, performance incentive (long-term and short-term incentives), retention bonus employee stock options, career progression and learning opportunities while intrinsic performance rewards have a psychological impact and ignite emotional reactions. It covers aspects such as work-life balance, work recognition, autonomy, empowerment and praise from seniors.

Rewards significantly increases performance, organisational commitment and motivates an employee to perform better (Rizal, et al., 2014). Employee Rewards such as pay, bonus and benefits have a strong impact on performance and stimulate employees to stay with the company. Employees who stay for a longer duration with the company tend to have stronger tacit knowledge, which strengthens the problem-solving ability of the organisation (Edirisooriya, 2014). Effective rewards systems and job satisfaction are critical factors in promoting employee performance and retention, highlighting the importance of effective human resource management practices in organizations (Tănăsescu & Leon, 2019). Organizations should focus on providing recognition and rewards to their employees to enhance their job performance, while also reducing job stress. Additionally, they should also work towards building a supportive organizational culture that can reduce job stress on job performance (Hussain, et al., 2019).

Literature review has identified that performance management has a strong correlation with performance rewards. The impact of performance management on performance rewards results to six sub-variables. The sub-variables are salary benchmarking, performance increments, performance pay, salary review budget, career progression and retention bonuses, which are explained further.

1. Salary Benchmarking

Salary benchmarking helps organizations to maintain a competitive edge, attract and retain talent, and improve overall performance outcomes. Through benchmarking, organisations should align compensation strategies with organizational goals and employee needs, as well as exploring the interplay between compensation and other motivational factors to enhance overall performance outcomes (Fulmer, et al., 2023).

Outcome: Compensation benchmarking plays a vital role while deciding salary for employees or offering a prospective candidate to ensure equitable and market-aligned compensation practices. Organizations must develop more effective strategies for setting and adjusting compensation benchmarks (Qin, 2020).

Proposition: Use of artificial intelligence (AI) can enhance compensation benchmarking by providing data-driven insights into market salary trends, ensuring that compensation packages

are competitive and aligned with industry standards. AI tools can analyse vast amounts of compensation data from various sources to identify benchmarks and disparities, thus supporting more strategic and equitable compensation decisions (Baki, et al., 2023).

2. Performance Increment

The role of performance increments in addressing employee retention and satisfaction, emphasizing the need for organizations to align salary adjustments with industry benchmarks and individual performance to effectively manage the workforce. With increased competition for skilled talent and rising salary expectations, many organisations are adjusting their compensation strategies to attract and retain employees in a competitive market. (Suganthi, 2021).

Outcome: Performance increments aligned with performance, are crucial for maintaining job satisfaction and retaining skilled employees. The combination of fair compensation practices, job satisfaction, and the flexibility of remote working arrangements can enhance employee retention. Performance increments significantly motivates employees, encouraging them to remain with their current employers (S. & Rao, 2022).

Proposition: Organisations, by aligning performance increments with employee expectations and performance, can significantly improve job satisfaction and retention. Performance increments are a crucial element in enhancing job satisfaction, as they directly impact employees' perception of their value and rewards. (Pundir, et al., 2023).

3. Performance Pay

Performance related pay is a tool to improve productivity and accountability amongst employees (Hasnain, et al., 2012).

Outcome: Organisations who explicitly explain the performance pay associated with high performance can establish high performance culture (Resurreccion, 2012).

Proposition: Organisation should effectively communicate to successfully implementing performance-based pay policies in the organizations to promote employee performance and overall organizational performance (Eriksson, et al., 2019).

4. Salary Review Budget

The salary review budget serves as a critical tool to decide on compensation decisions based on budgetary goals. When budgetary targets and performance metrics are linked to compensation plans, it impact compensation fairness and motivation. Therefore, it is important to align performance evaluation criteria with budgetary objectives to ensure that compensation reflects actual performance and supports organizational goals (Briers & Hirst, 1990).

Outcome: Creating detailed and accurate budgets in budget planning process to align both the organization cost objectives and employee's needs (Patil, 2019).

Proposition: Organisation should establish clear guidelines and policies for compensation to ensure fairness and consistency. The role of compensation committee is important in overseeing budgetary allocations, evaluating compensation structures, adjusting performance metrics and aligning market trends to design a well-structured salary review budget that support organizational objectives and foster employee satisfaction (Reda, et al., 2008).

5. Career Progression

Career progression is part of the employee development programme to help them grow and reflects that their organisation is partnering in their growth and development. An organisation's commitment towards career growth influences employee retention (Sinha & Sinha, 2012).

Outcome: A strong career development model has primarily three ingredients: knowledge, competence and experience. Great organisations develop employees on current and future concepts, sharpen their skills to perform better and provide challenging roles for a wider understanding of complex tasks (Sharda, 2012).

Proposition: Organisations should chart-out a strong career progression path for employees based on their performance and potential. Organisations should continuously communicate career opportunities, future career path and assign cutting-edge projects to keep employees engaged. Employees should be provided with challenging situations because along with challenge comes learning, authority and autonomy (Kumar, et al., 2014).

6. Retention Bonus

Retention bonuses can play a critical role in encouraging employees to remain in their positions. It is an effective tool in addressing immediate staffing needs and reducing turnover, they must be part of a broader strategy that includes professional development to ensure long-term organisational success (Castro, 2022).

Outcome: Retention bonuses combined with professional development, improved working conditions, and career advancement opportunities can increase employees' retention rates (See, et al., 2020).

Proposition: Retention bonuses are crucial for keeping talented individuals in key roles amidst high demand and competition. They can retain employees with specialized skills and expertise necessary for effective operations. Retention bonuses are effective and should be part of a broader strategy that includes professional development, career advancement, and creating a supportive work environment to ensure long-term retention and performance (Bates & Rose, 2022).

Limitations

This research has two constraints, first, the study is based on literature review by closely scrutinising a few research papers and assessing the impact between performance and rewards. Second, the research focuses on primarily on extrinsic rewards and not on intrinsic rewards. It has been established by way of literature review that there is a strong correlation between performance and rewards. Performance management serves as the foundation for driving talent rewards and talent management practices within an organization. By setting clear performance expectations, providing regular feedback, and assessing employee outcomes, performance management directly influences how performance rewards. These practices not only motivate employees but also guide the development of talent management strategies, such as identifying high-potential individuals for leadership roles and creating personalized development plans. The effectiveness of performance management in aligning employee performance with organizational goals is critical to ensure that talent is nurtured, and high performance is adequately compensated and provided with growth opportunities. Digital HR enhances organizational efficiency by leveraging technology to streamline HR processes, improve decision-making, and elevate employee experience. Researchers must focus on studying correlation of performance management and performance rewards to further study its impact on talent environment of the organisation.

Future Scope of Research

Future studies have scope to study correlation between performance management and performance rewards through quantitative research method in a specific industry and geography, or a generalised study to gauge its correlation and impact within an organisation. By understanding

how different sectors and global regions respond to these systems, organizations can design more effective, equitable, and culturally relevant performance management strategies. Future research should also study the impact of emerging technology and artificial intelligence on performance management and performance rewards. Future research should also explore the balance between extrinsic and intrinsic motivation in performance management. Research can examine how organizations can design reward systems that foster both external incentives (bonuses, promotions) and internal drivers (personal fulfilment, growth opportunities).

Conclusion

The literature review has confirmed that an integrated well-designed performance management system has a strong correlation with performance rewards. Organisations must focus on developing a robust reward framework based on employee performance. The alignment between performance evaluations and rewards not only motivates employees to achieve higher performance levels but also contributes to improved job satisfaction and reduced attrition rates. By clearly linking rewards to performance outcomes, organizations can foster a culture of excellence and commitment, which is essential for sustaining competitive advantage in the dynamic business environment.

Performance management systems significantly influence rewards by creating a structured approach to evaluating employee achievements and setting clear performance expectations. Effective performance management links individual and team goals to organisational objectives, providing a basis for equitable and merit-based reward allocation. When performance metrics are clearly defined and aligned with organisational goals, rewards such as bonuses, promotions, and other incentives are closely tied to actual performance. Therefore, effective performance management practices significantly impact the distribution and perception of rewards.

This strategic performance and rewards approach ensures that the organization remains agile and responsive to industry changes while cultivating a motivated and high-performing workforce capable of driving long-term success.

The study shall benefit management practitioners and the company's policy makers while drafting and driving a holistic performance management and rewards strategies. The study signifies that salary benchmarking, performance increments, performance pay, salary review budget, career progression and retention bonuses are enormously significant for creating a correlation between performance and rewards within an organisation.

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