

Understanding the Link between Individual and Organisational Performance

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Activity 1

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Date: 07/11/2020

Aims of the presentation

- 1) High performance working
- 2) Performance management

Continuous Supervision Training
Priorities Communication Grow
PERFORMANCE
MANAGEMENT
Measurable Feedback Development HR
Improvement Employees
Objectives Goals Corrective
Direction Job Descriptions Review
Coaching Promote Monitor Reward

This presentation aims to review high performance working and the links between organisational performance and also employee wellbeing. This presentation also aims to define the main stages of the performance management cycle and related activities. It also aims to review the contribution of these activities to capability and commitment, and recognising and rewarding talent. The presentation will also consider the roles and responsibilities of the line manager and how HR can support line managers in the process.

High Performance Working

- The concept and key components



Much research has been conducted over the last 100 years to establish if specific management principles can be practicably applied to enhance organisational performance. This process began in the 1890's, where Frederick W. Taylor with the development of scientific management largely influenced the manufacturing industry. Practices such as time and motion studies, Gantt charts and assembly lines were introduced which supported an increase in productivity. Over the years, these practices have developed alongside technological advances and human relations. More recently, we have seen the impact of globalisation and technology, it has never been more prevalent to question how performance of people can be maximised. The most influential set of principals in this area are those that underpin high performance work systems (HPWS) (Marchington et al, 2015).

According to Taylor and Woodams (2016), HPWS are best understood as a bundle of HRM policies and practices. Whilst these have not been agreed definitively, the general consensus is that any list will include practices which promote employee involvement and commitment. Like Taylor and Woodams (2016), Marchington (2015) considers organisations formal processes and procedures are considered to be high performance working practices, and there are varying studies which define their impact. The practices tend to emphasise on high quality goods and services alongside engaged and empowered workforces.

CIPD (2019) defines the specific component parts of high performance working as an organisation which:

- aims to increase customer value alongside renewing and improving the product
- displays leadership throughout the organisation
- ensures shared decision making to all levels
- ensures people and team development emphasising on self-management and project-based activities
- maintains a supportive culture based on trust, enthusiasm and commitment, including performance operations, people management, alignment to strategic direction
- ensures fair treatment, community engagement, trust and commitment based relationships with internal and external stakeholders.

The link between HPW, competitive advantage and sustainable organisation performance

Factors for Satisfaction	Factors for Dissatisfaction
Achievement	Company policies
Recognition	Supervision
The work itself	Relationship with supervisor and peers
Responsibility	Work conditions
Advancement	Salary
Growth	Status
	Security

A study conducted for CIPD aimed to review the way HR practices or people management impact on organisational performance. This report was conducted within a framework where performance is considered a function of ability plus motivation plus opportunity (known as the AMO model). Many HR policies and practices are required to put this into practice. This particular study identified 11 practices, which covered recruitment and selection, training and development, career opportunity, communications, involvement in decision-making, team working, appraisal, pay, job security, job challenge/job autonomy and work-life balance. These interventions develop positive employee attitudes, satisfaction, commitment and motivation which in turn induces discretionary effort of its people, directly impacting on organisational performance (Purcell et al, 2003).

According to Purcell et al (2003), they identified the existence of a 'big idea' as one of the key components of the HR practices influencing high performance working. This can be considered the mission, values and culture of an organisation, which can be linked to employee commitment. Within their study, it was also evident that front line leadership plays a crucial role in implementing policies, practices and values. Where managers exercise their own discretion and encourage positive attitudes, discretionary effort of employees is impacted. The study as a whole demonstrated strong evidence that when HR policies and practices are managed effectively, it demonstrated positive associations with performance. Bowen & Kalshoven (2014), also state the research tells us that HR practices in which shape employee attitudes and behaviours, affect organisational performance. A study was conducted to understand how and under what conditions high-commitment HRM positively impact organisational performance. The results demonstrate the relationship between both is mediated by work engagement.

Hertzberg's research tells us that there are certain factors which are consistently related to job satisfaction or job dissatisfaction (as noted on the slide). One of the conclusions which came from the research, is that satisfaction and dissatisfaction are not opposites. This means that if the causes of dissatisfaction are eliminated, this does not in turn create satisfaction. Equally, adding factors which cause satisfaction, does not eliminate job dissatisfaction,

making the factors which contribute to job satisfaction and job dissatisfaction are completely separate. The characteristics associated with job satisfaction are known as hygiene factors, and when addressed, people will be neutral – neither dissatisfied nor satisfied. Motivating employees comes from focussing on the satisfaction factors, which Herzberg refers to as job enrichment (Mind Tools, 2020). One of the ways in which job enrichment stems from is learning and development. According to Gallup (2019), to create a high-performance culture, one of the most important factors is a culture of high-development where the growth of individuals is valued. Where investment has been made into employee development, 11% greater profitability is found and organisations are twice as likely to retain their employees.

- The link between HPW and employee wellbeing

Figure 4.2: Model of the role of employee wellbeing in the HRM-performance relationship

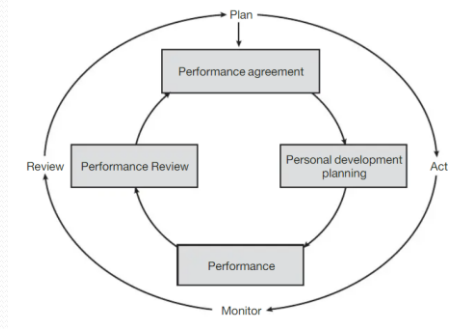


Beer et al (2015) states there has been growing interest around employee wellbeing and employee outcomes. Peccie et al (2013), argues that the high performance working initiatives as previously mentioned are more likely to influence positive organisational outcomes if outcomes for employees are positive, inclusive of employee wellbeing. He also stated that this link should be more employee-centered in how employee wellbeing can be impacted by HR practices. Peccie's research reviewed the link between HRM, wellbeing and organisation performance, and found in HPW, advanced HRM practices that are beneficial for employees will lead to a higher level of employee empowerment and job discretion, alongside a more interesting, supportive and rewarding environment to work. Employees will work harder and contribute to enhancing the organisations performance, therefore demonstrating it plays a key role, as demonstrated in the model.

According to CIPD Working Lives Report (2019), health and wellbeing has become increasingly acknowledged as central in our understanding of good work and job quality. The report also finds that work has a positive impact on physical and mental health, providing working conditions are well managed and it does not act as a stressor. This highlights the importance of the well managed HR practices and policies, implemented by leaders. According to CIPD Health and Wellbeing at work, a culture of wellbeing which is driven by good people management, impacts positively on not only employees but business, by making it a productive, attractive and socially responsible workplace.

Performance Management

- Performance Management Cycle and Activities



For those who are involved in organisational performance, one of the biggest challenges is to link the relationship between the people and the value they deliver. Performance management is interested in maximising value and employee contribution, in line with organisational strategy (CIPD, 2020).

CIPD (2020), defines performance management as activities which are grouped into:

Establishing objectives - This is achieved through teams and individuals, whereby they understand their role within the overarching strategy and business objective

Improving performance – both with employees and teams, and in turn the overall organisation

Holding people to account – linking performance to reward, career progression and termination of contracts.

It is also defined as a continuous cycle where there is an overarching structure or framework to encompass the various HR activities to work together.

In line with this, Armstrong (2008) also defines performance management as a continuous cycle of plan-act-monitor-review as detailed in the slide, where the main activities in performance management are:

- Role definition – for example the job description, where the key competency requirements are detailed and agreed
- The performance agreement – this is where expectations are defined, the objectives which need achieving, how the performance is measured and what competencies are required to deliver results.
- The performance improvement plan – this details what individuals should do to improve performance if necessary.
- The personal development plan – this includes agreed actions for people to increase their levels of competence by developing their knowledge and skills.
- Managing performance throughout the year – action taken to implement the above agreements whilst employees carry out their usual roles and planned learning. This is a continuous process of feedback through informal reviews, reviewing objectives and managing any performance concerns.
- Performance review – this a formal evaluation stage, where a period of performance is reviewed to discuss progress and concerns. This is where the cycle continues as the performance agreement is revised (Armstrong, 2008).

Performance management cont.

- Contribution of performance management activities to employee capability and commitment, and to recognising and rewarding talent



Performance management relies on formal and informal processes to ensure its effectiveness. It is both between the line manager and employee, and establishing a culture where individuals take responsibility for continuous improvement of themselves and the business. Common performance management practices have begun to change over the last few years. One of the most important aspect of managing performance is setting objectives for individuals, departments and the organisation, and the organisations strategic goals should be the starting point for this (CIPD, 2020).

Lock and Latham (1990) identified from many years of research five elements which need to occur for goals to be achieved. In terms of performance, they believed that this was influenced by motivation, which was achieved by clear goals and appropriate feedback. The research demonstrated that when a goal was specific and more difficult, people tended to work harder to achieve it. Equally, where a goal is considered easy, this does not motivate. The research also outlined five other characteristics to ensure successful goal setting.

1. Clarity – ensuring goals are clear and have the ability to measure results. A useful tool here would be setting “SMART” objectives.
SMART objectives are Specific, Measurable, Achievable, Relevant and Time bound (Mindtools ,2020).
2. Challenge – a goal that is challenging will motivate people, providing it is not too

challenging to be achieved.

3. Commitment – ensuring team buy-in by involving and agreeing goals as a collective, ensuring understand with everyone.
4. Feedback – Listening to feedback alongside assigning goals to ensure how the team are progressing is vital. Feedback allows opportunities for clarifying expectations and making relevant adjustments.
5. Task complexity – It is important to ensure that the goals are not overwhelming, and the appropriate amount of pressure is applied (Mindtools, 2020).

Many employers include output, together with learning and development objectives and behaviours to measure output of it's employees. Employees development should be a strong focus on performance improvement. Conversations around performance should be inclusive of reflection and learning from experience, in order to identify learning opportunities. Many organisations use personal development plans to capture this information. Performance reviews are the place for managers and employees to discuss performance, assessing and providing feedback is critical in working towards targets and is strongly motivational. There is much evidence to suggest that this should be on a regular basis, rather than annually. Some organisations link levels of pay to performance in a bid to encourage high performance levels and high performance culture, and provide a notion of fairness (Cappelli and Tavis, 2016).

The evolution of performance management has been contributed by historical and economic elements. Where human capital is plentiful, the traditional appraisals with emphasis on individual accountability, worked to support the focus on which employees to retain and reward. However, in an age of talent being in shorter supply and the competitive pressure of organisations, focus must move towards developing people and managing talent. This approach requires frequent, informal check-ins with rich feedback. Annual reviews emphasise on financial rewards and punishment and they hold people accountable for past behaviour at the expense of improving current performance. The focus should be on regular conversations around both performance and development, which in turn can change the focus to building the workforce required by your organisation and providing competitive edge. The appraisal is considered a more transactional view of performance, where instead of accountability the emphasis should be placed on improvement and growth. Performance should be changed through effective coaching and management alongside intrinsic rewards for example personal growth and development, and a sense of progress (Cappelli and Tavis, 2016).

Performance management in practice

- The role of line managers
- How can HR work with line managers?



According to CIPD (2019), line managers play a critical role in assessing and recognising performance. This is inclusive of goal setting and challenging goals, monitoring progress, providing feedback and regularly assessing performance. Line managers also have a level of responsibility of how their employees perform. The research demonstrates that where there is a positive relationship between employees and front-line managers, there is more likely to be higher levels of job satisfaction, commitment and loyalty. This positive relationship can be associated with discretionary effort by employees and in turn, overall higher levels of performance (CIPD, 2019).

Robinson (2013), researched into how engaging managers approach poor performance. The research identified specific behaviours to adopt which included aiming for clarity with all teams particularly around performance expectations and what specifically is to be delivered. The line manager should also ensure the team understand their contribution to overall organisation goals and how the success will be measured. Feedback should be given on a regular basis to include day to day ensuring staff know what they are doing, one-to-ones to listen and offer support, inclusive of coaching. Performance must be monitored in order to recognise success and achievements and notice if things are going wrong. A team approach should also be encouraged working collaboratively to take ownership and find solutions to the objectives. Performance and behavioural problems should be addressed quickly through investigation, coaching, action planning and monitoring, where necessary utilising formal procedures. Any constructive feedback should be well considered and prepared, where the rationale is understood from a business context. This

demonstrates that the line manager fully owns the process of managing performance.

To enable line managers to deliver positive people management, they must have the skills and competencies to achieve this. There must also be a framework in place to enable managers to have self-confidence in their approaches. This highlights the importance of training and development for front line managers. Line-managers are often considered the face of the people profession, therefore HR must ensure that robust frameworks are in place for managers to adhere to. It can be argued that it is not enough to educate line managers in the required behaviours which lead to high quality management focus. Organisations must ensure that there is a culture of encouraging positive behaviours, and HR professionals must involve themselves in supporting this. Business partnering has been growingly emphasised, where the HR roles are becoming more involved in overall organisation strategy, enhancing the people management aspects of line managers. Managers now have the opportunity to work directly and proactively with HR to develop solutions. Were line managers are well-managed, they are therefore more likely to lead high-performance employees (CIPD, 2019).

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