

Qualification: CIPD Diploma in Applied
Human Resources

Student Name: Francesca Deias

Student Number: 1904623

CIPD Membership Number: 55479930

Understanding the Link between Individual and Organisational Performance

Managing and improving performance

Introduction

This presentation will introduce you to managing and improving the performance of your staff to ensure our organisation's success.

It will focus on the theory, aims and objectives of performance management, high performance working and the links between this and organisational performance, employee wellbeing, capability and commitment.

We will also look at how HR contributions can support you in successfully managing the performance of your teams.

Aims

Thank you for attending this session on introducing you managing and improving performance.

Objectives:

- To understand the concept of high-performance working and how it can benefit both individuals and the organisation.
- To understand the contribution of the performance management process to high levels of performance.
- To understand the role of line managers in performance management.

High Performance Working

High Performance Working (HPW)

What is HPW?

- “A general approach to managing organisations that aims to stimulate more effective employee involvement and commitment to achieve high levels of performance”. (Belt and Giles, 2009)
- Combes defines High Performance working as the processes, practices and policies in place to enable employees to perform to their full potential (2006, cited in Armstrong and Taylor, 2020, p. 218)

HPW is also known as high commitment Human Resource Management (HRM), high involvement work practices or best practice HRM.

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High Performance Working Systems (HPWS)

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HPWS should support the delivery of organisational strategy and objectives through effective people and performance management (Wilkinson and Taylor, 2016).

High Performance Working Systems (HPWS) refers to HR practices and policies which reinforce HPW through employee commitment and involvement (Taylor, 2016). Employees are more likely to be committed and perform better in organisations that choose a best practice approach.

HPWS should support the delivery of organisational strategy and objectives through effective people and performance management (Wilkinson and Taylor, 2016).

High Performance Working (HPW)

Key components of HPW:

- Recruitment and selection
- Investment in training and development
- Performance-based pay
- Internal promotion
- Team-based approaches
- Grievance systems
- Employee participation
- Communication/ Information sharing
- Performance appraisal
- Flexible working
- Job security
- Work-life balance
- Harmonisation of terms and conditions

Taylor (2016) outlines these key components to HPW:

- Sophisticated recruitment and selection- a diverse range of candidates are attracted with the right candidate being selected.
- Investment in training and development- employees are informed and aided to improve their capability.
- Performance-related pay- encourages employees to work hard and can attract strong performers.
- Internal promotion- based on merit encourages employees to remain employed for longer
- Team-based approaches- helps employees decide how to achieve objectives and improve performance.
- Grievance systems- where grievances/issues can be raised without fear or having to resign.
- Employee participation- where employees contribute to organisational decision making and have increased autonomy over their work.
- Information sharing- where managers are transparent, honest and communicate issues.
- Performance appraisal- effective appraisal system that sets goals that align with organisational objectives.
- Flexible working- so employees can adapt if opportunities arise through being multi skilled.
- Job security- this can help attract and retain employees.

- Work-life balance-an organisation that nurtures a positive work-life balance often has employees that have high levels of wellbeing and less sickness absence.
- Harmonisation of terms and conditions- where the same rules and benefits apply to all.

High Performance Working & Organisational Performance

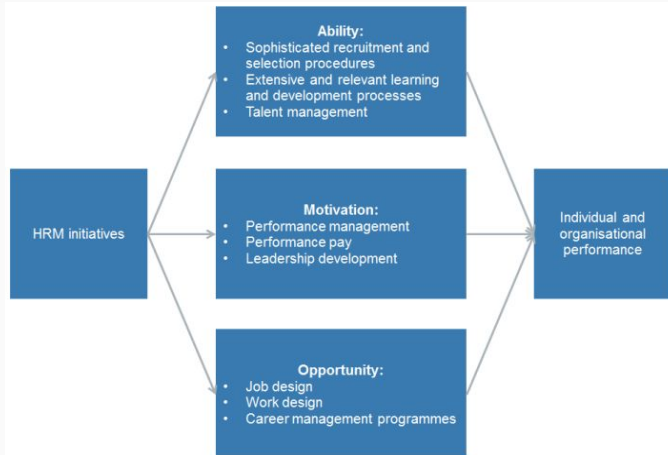
HPW & Organisational Performance

Purcell's AMO Model (2003)

A – ability to perform well

M – motivation to perform well

O – opportunity to perform well



The Boxall and Purcell (2003) AMO model affirms that performance is derived from Ability; Motivation and Opportunity (Purcell, Kinnie, Hutchinson, et al, 2003).

Basically, performance is enhanced if employees have:

- the ability to perform well and the necessary knowledge and skills
- be motivated to perform well
- be given the opportunity to use their skills to perform well

This model also provides guidance on the HRM practices that should be included in HPWS.

According to the CIPD, performance management can enhance organisational performance “Carried out well, performance management is a powerful tool to focus activity and effort and, hence, enhance business performance. Done badly it can disengage staff, foster unproductive activities, waste effort and misdirect reward” (CIPD, 2009, p.3).

However there are certain factors that can influence HPWS in an organisation such as the size of the organisation, industry, available resources, state of the economy and the influence of technology.

HPW & Organisational Performance

Key Research into HPW & Organisational Performance

Huselid (1995) Found that firms with sophisticated HR practices yielded:	Coombs et al's (2006) Meta-analysis found that HPWS yielded:	Purcell et al's (2003) Black Box studies found that progressive HRM leads to:
• A decrease in staff turnover • An increase in sales per employee • An increase in market value per employee • An increase in profit per employee.	• 4.6% increase on return on assets • 4.4% reduction in staff turnover	• A positive response which lead employees striving to improve performance through discretionary effort • Strong sense of shared purpose through 'Big ideas'. • Progression through line managers bringing HRM to life.

There has been various studies into the links between HPW and high-caliber organisational performance.

One of the first pieces of research in this area was conducted by Huseid (1995).

Findings were based on a sample of almost 1000 firms that indicated that HR practices have a significant impact on employee outcomes such as decreased turnover and increased productivity, and short- and long-term measures of financial performance (Huselid, 1995, p.635), therefore proving that HR practices really added value to an organisation.

Coombs et al's (2006) meta-analysis followed on from Huselid's research which concluded that HPWS were (Taylor, 2016, p.201).

Purcell et al's (2003) Black Box Studies looked at the HPW performance link and found that when an organisation has HPWS there is a positive response in relation to job satisfaction, motivation, organisational commitment which lead employees striving to improve performance through discretionary effort. Secondly the study found that the 'big idea' that underpins an organisation's mission and values, if embedded in HPWS resulted in employees being engaged with a sense of shared purpose. Finally it found that HPWS needed to be brought to life by line managers in order for organisational performance to be progressive and sustainable (Taylor, 2016, p.202).

HPW & Employee Wellbeing



A happy and healthy workforce is a productive workforce!

*Work-life
Balance*

*Engagement
&
Participation*

*Flexible
Working*

Studies show that commitment to HPW can enhance employees' organizational commitment. Components of HPW such as employee participation have positive effects on employee commitment and engagement.

A report published by the UK Commission for Employment and Skills (2010) found that wellbeing policies convey a strong sense of caring and concern and therefore can make a big difference to employee's engagement. Research by Christian et al (2011, cited in Wollard and Shuck, 2011, p. 130) suggests that high levels of employee engagement increases individual and organisational performance through behaviors, productivity and discretionary effort.

If organisations provide the right systems that create a positive and interesting environment, individuals will seek out meaningful and challenging work. When employees are stressed, overworked or bored at work it can inhibit the quality and quantity of their performance, as well as their well-being. Poor wellbeing practices can lead to increased absences, burnout, increased turnover and of course, poor performance.

HPW practices such as valuable performance appraisals can produce positive emotions in employees which can increase individual performance (Harter et al, 2003). Healthy and happy employees make for a productive workforce.

Marchington (2015, cited in Armstrong and Brown, 2019, p.27) is concerned that the focus has previously been on setting narrow performance goals and therefore neglecting the needs and interests of employees, he believes that the focus needs to

be on promoting employee wellbeing to improve performance.

We employ a number of HPW practices at ECD, such as flexible working and wellbeing policies. Our sound flexible working and family friendly policies are in place to encourage a healthy work life balance.

Lewis et al (2012, cited in CIPD, 2017, p.2) proposed that it is the combination of employee engagement and health/well-being that enables sustainable positive outcomes over a prolonged period.

Performance Management

Performance Management

What is Performance Management?

- Performance Management is the continuous process of improving performance by setting individual and team goals which align to the strategic goals of the organisation. (Armstrong, 2015).
- The CIPD (2019) defines Performance management as attempting to maximise the relationship between employees and the value they deliver to ensure contribution to business objectives and therefore should align with organisational strategy. Performance management describes activities that:
 - establish objectives so individuals and teams can see their part in the organisation's mission and strategy
 - improve performance among employees, teams and organisations.
 - hold people to account for their performance by linking it to reward, career progression and termination of contracts.

Performance Management is the continuous process of improving performance by setting individual and team goals which align to the strategic goals of the organisation. Performance is planned to achieve goals, and are reviewed and progress is assessed, with focus on developing knowledge, skills and abilities of people (Armstrong, 2015).

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Performance management should be effective, strategic and integrated so it links various aspects of the business, people management, individuals and teams (CIPD, 2009, p. 3). In essence, performance management is the process of creating a work environment where employees can perform to the best of their abilities.

Performance Management Cycle

Performance Management Cycle

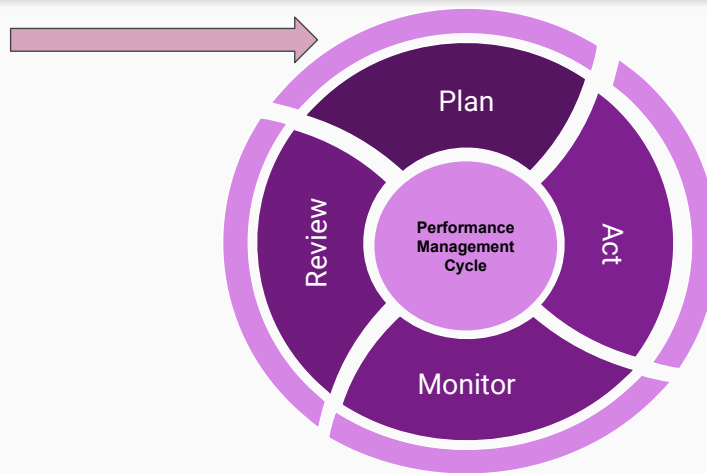
Performance management is a natural process and forms a continuous self-renewing cycle which is concerned with the performance and development agreement. This in turn leads to performance being managed throughout the year which then leads to performance review and assessment which returns to the performance and development agreement.

(Armstrong, 2015)



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Performance Management Cycle



The performance management cycle is formed of 4 parts:

Plan- The planning stage should be carried out in line with organisational strategy. The performance agreement is developed at this stage through the formation of a personal development plan (Hearne, 2017) and by reviewing role profiles, objectives and competencies.

Act- In this stage, the employee carries out their role and aims to achieve their objectives through the support of their personal development plan. A performance improvement plan (PIP) can be implemented if required.

Monitor- Performance should be monitored, goals/objectives are reviewed and updated and employees provided with continuous feedback and coaching if required. Underperformance is also dealt with.

Review- A joint analysis of performance and assessment is undertaken through dialogue and feedback. Traditionally completed via a formal performance review or appraisal, which is a formal meeting between employee and manager. Strengths and weaknesses, based on evidence are identified (Armstrong, 2020) and goal progression, performance issues, training and development gaps are discussed.

Performance Management Cycle

Key aspects of the Performance Management Cycle

- Communication
- Setting objectives
- Measure performance
- Review performance
- Identify training and development needs
- Evaluation
- Linking individual outcomes to team & organisational outcomes

The key aspects of the Performance Management Cycle are:

- Communication of organisational vision and objectives
- Setting departmental and individual objectives
- Measure performance
- Review performance
- Identifying training and development needs
- Evaluation
- Linking of individual outcomes back to team and organisational outcomes

Whilst Ecigarette Direct focuses on individual performance in regards to setting objectives; measuring performance, reviewing performance and identifying training needs often, we neglect to communicate and tie individual and departmental performance to the organisation's strategy and objectives.

Performance Management

Employee capability and commitment



Employee capability and commitment

Effective PM can enhance employees' commitment to the organisation and can be achieved through practices that improve fairness, trust and job security.

Employee commitment can be gained through employees being able to identify with the organisations values and objectives which is why it is important for organisations to promote them to attract and retain the best staff.

Christian et al (2011, cited in Wollard and Shuck, 2011, p. 130) state that high levels of employee engagement increases individual performance through discretionary effort. The extent of the employee's commitment will have a major influence on the level of work performance (Rees and French, 2016). Boxall and Macky (2014) also support this by stating that 'Employees who experience high levels of engagement are expected to reinvest their excess resources back into the organization by showing commitment'.

Organisations who struggle with gaining employee commitment will have problems with high turnover and will therefore struggle to maintain good organisational performance.

PM activities that does not rely on bureaucratic control and allow the autonomy of work tasks and personal growth is advocated by Boxall and Macky (2014).

Performance Management

Recognising and rewarding talent

- Agree objectives together
- Assess
- Give constructive and honest feedback
- Review
- Identify and address learning needs



Recognise a job well done

Recognising and rewarding talent.

Performance management can be a way in which we recognise and reward talent. Performance management activities should encourage employees to consider their needs for things like training in order to enhance their current job but also to facilitate career progression (Marchington, 2012, p.245).

- Agree objectives together- For PM to be successful managers should discuss and agree objectives with their employee so that they understand how they're contributing to organisational objectives.
- Assess- PM should be evidenced based with performance and feedback being based on facts rather than opinion (Armstrong and Taylor, 2020, p.440).
- Give constructive and honest feedback- in order for employees to improve performance.
- Revisit- review performance and set new goals.
- Identify and address learning needs.

Armstrong summarises that good PM can reward people by recognition through feedback, giving them the opportunities to achieve, and the opportunity to develop their skills to guide them on their career path (Armstrong, 2015).

Performance Management

The Role of Line Managers

- The role of line managers is crucial in the delivery of successful performance management.
- Line managers need to be committed & skilled in managing employee performance.

Managers that have regular, productive, two-way conversations with their employees often have less performance related issues.

The role of line managers is crucial in the delivery of successful performance management. Line managers need to be both committed and skilled in managing employee performance through regular and continuous motivation as well as leading formal performance management systems. When employees have a positive relationship with a line manager, there tends to be higher levels of job satisfaction and commitment which are associated with higher levels of performance or 'discretionary' behaviour (CIPD, 2019c).

It is down to line managers to complete the formal performance management process as they work directly with employees and are therefore best placed to manage performance, with systems such as performance reviews and appraisals being the most widely used (Taylor, 2016, p.205). Barriers such as managers lacking in time, interest, too much work and dysfunctional behaviour or weak leadership can hinder successful performance. However, the complexity of systems in place should also be considered if performance management is failing (Armstrong and Taylor, 2020). At ECD we listened to managers and streamlined the performance reviews in line with what really mattered.

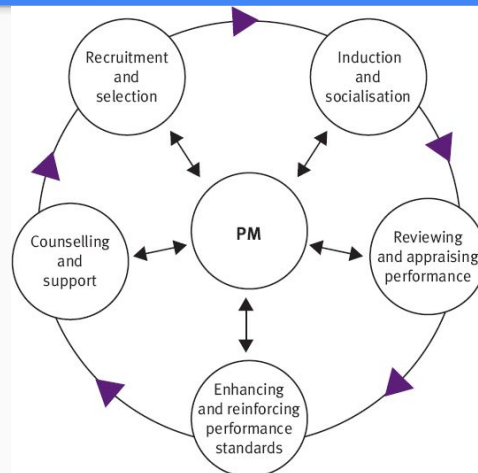
Purcell et al (2003) argue that exercising employee discretion is central in managing performance, as managers who use managerial discretion in relation to how they put policy or process into operation means that employees are more likely to perform over and above (Purcell, Kinnie, Hutchinson, et al, 2003).

At ECD we train our managers to plan and complete performance reviews thoroughly and more importantly, enthusiastically in order to encourage employees to respond with positive behaviours. The CIPD supports this in stating that "application rather

than the process itself makes the difference in terms of performance management.”
(Cipd, 2009, p.13).

Managers that have regular, productive, two-way conversations with their employees often have less performance related issues.

HR Support with Performance Management



At ECD we have a thorough recruitment and selection process as well as a robust induction programme. Our advertisement and selection process ensures that candidates are aware of performance and role requirements by communicating our mission, and company values. Our interview process rates candidates on strength based competencies and also against the values and culture of our organisation. This supports our ethos of building a high performance culture to strengthen employee commitment (Taylor, 2012, p.214)

During induction new starters are briefed about our values, expectations and the performance standards required. According to Marchington, induction training is critical to establishing understanding and commitment to organisational and departmental goals (Marchington, 2012, p.228).

Line managers and HR can work together to develop and implement robust performance management systems. By collaborating and developing straightforward and user friendly PM systems we can look to reduce admin time on both sides and create systems that are engaging and aid improved performance.

Line managers need to be managed within a strong, supportive framework to enable them to develop their skills (CIPD, 2019c). HR can provide support for managers through organising training in active listening, coaching and how to give constructive feedback to employees. Marchington (2012, p. 239) discusses how managers can lack confidence or be embarrassed to conduct difficult conversations or give negative feedback to their employees. Therefore it is important for HR to support with

appropriate training of line managers in order to develop their competency and capability. We also provide information and resources for managers to use and refer back to when needed.

Conclusion

Organisations that embed effective performance management systems in line with strong high performance work practices will product a successful and productive workforce that achieves organisational objectives.

Line management need to champion performance management in order to develop and build strong and honest relationships with their teams.

Embedding a high performance culture is key to sustaining high levels of performance and the success of the organisation .

Thank you!

For more information please
contact:

Fran Deias, HR Administrator

fran.deias@ecigarettedirect.co.uk



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