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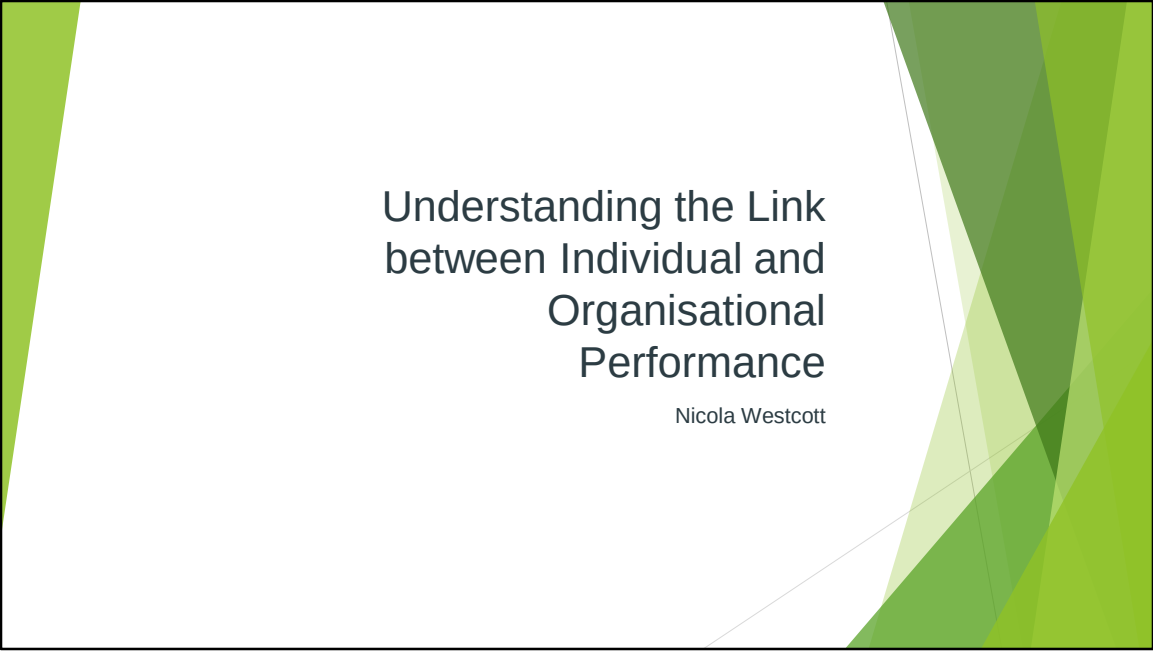
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Signed: N Westcott

Date: 04/09/2020

The slide features a white background with a large, abstract graphic on the right side. This graphic is composed of several overlapping, semi-transparent green triangles and polygons in various shades of green, ranging from light lime to dark forest green. The shapes are arranged in a way that creates a sense of depth and movement, with some lines extending from the bottom right towards the center.

Understanding the Link between Individual and Organisational Performance

Nicola Westcott

Aims:

- ▶ Understand the concept of high-performance working (HPW) and how it can benefit individuals and the organisation.
- ▶ Understand the contribution of the performance management process to high levels of performance.
- ▶ Understand the role of line managers in performance management processes.



Source: Web.com.bd



What is High Performance Working (HPW)?

High Performance Working (HPW) is a bundle of HR policies and procedures in an organisation and are believed to have a positive impact on organisational performance (Taylor, 2016). Also known as Human Resource Management (HRM).

Dating back to 1890 when Fredrick W. Taylor started research to establish if a set of management principles can improve organisational performance. In Taylor's view weak management methods were the cause of poor performance (Rogers et al, 2016). Over the last century the introduction of time and motion studies/Gantt charts/assembly lines increased productivity in the manufacturing industries and revolutionised organisations across the world.

As technology increased different principles were used especially in the service industry (Taylor, 2016).

During the 20th Century as globalisation/technology increased the market became more competitive and less predictable, meaning organisations needed to understand how to maximise performance.

In order to remain competitive '*HPW organisations needed to invest in its HR, support technical, innovatory and social skills and promote good interpersonal relationships on the workplace. This type of organisation differed from the traditional 'Taylorist' organisation which was based in task specialisation, a hierarchical structure and centralisation of responsibilities*' (Rogers et al, 2016).

High Performance Working Systems (HPWS)

- ▶ Recruitment and Selection
- ▶ Investment in training/development
- ▶ High levels of pay
- ▶ Internal Promotion Opportunities
- ▶ Team Working
- ▶ Grievance
- ▶ Participation
- ▶ Information sharing
- ▶ Performance Appraisal System
- ▶ Flexible Working
- ▶ Job Security
- ▶ Good Work-Life Balance
- ▶ Harmonisation of terms/conditions of employment
- ▶ Diversity

The most influential set of principles that lead to increased performance are underpinned in High Performance Working Systems (HPWS). These are a range of HRM procedures that are introduced to an organisation. These can be made up of various elements but should include procedures that increase employee commitment/involvement.

Analysis of HPWS by (Boselie et al 2005; Datta et al 2005; Marchington and Wilkinson 2012) found the following were the most common:

- Recruitment and Selection – applicants sought from a broad field and assessed on ability to perform well in the role (Google spend twice as much on recruitment as other organisations).
- Investment in training/development – employees given the opportunity to develop their careers by being provided with up to date training.
- High levels of pay – payments are made in relation to performance thus attracting/retaining strong candidates.
- Internal Promotion Opportunities – encourages employees to remain with the organisation thus maximising on the investment made in training.
- Team Working – provide empowerment to groups of employees who can

decide how to achieve objectives. Facilitates knowledge/information sharing.

- Grievance – ensure a fair system to ensure employees feel that they can raise issue of unjust treatment without resigning
- Participation – provide opportunities for employee participation in decision making thus leading to improvement in decisions taken. Vertical/horizontal feedback. Do not cut back on empowerment if an employee makes a mistake. Facebook motto is ‘move fast and break things’ – encourages employees to make decisions and act.
- Information sharing – ensure employees are aware/kept up to date with any organisational issues or future plans.
- Performance Appraisal System – ensure all employees have a goal to work to which should also align with the organisational objectives.
- Flexible Working – increases motivation, ensure employees are multi-skilled - benefit is being able to transfer to other areas should the need arise.
- Job Security – ensures that the best performers are attracted/retained.
- Good Work-Life Balance – ensure employees do not become stressed which can lead to poor performance or absence.
- Harmonisation of terms/conditions – ensure the same rules apply to all e.g. hours/holidays/pension/work-place facilities in order to avoid disgruntled employees.
- Diversity – organisations that support diversity is linked to its culture and values and make use of diverse skills to achieve high performance and competitive advantage (Kandola and Fullerton, 1994).

High Performance Working Practice

High Performance Working Practice	Examples
High Employee Involvement Practice	Self-directed teams, sharing/access information
Human Resources Practice	Sophisticated recruitment process, performance appraisal, coaching and mentoring
Reward and Commitment Practice	Various financial rewards, family friendly policies, flexible working, job rotation

Source: Sung and Ashton 2005

These procedures are generally seen as best practice and are designed to attract/retain/engage employees and are seen in high performing organisations for two reasons:

Positive reputation of the employer attracts people who want to work for the organisation.

Employees are likely to remain with the organisation leading to high levels of commitment meaning that they will often go above and beyond and are positively engaged in their roles. According to Holbeche (2005) '*some are likely to embrace change rather than resist which promotes innovation and creativity*'.

The link between HPWS and organisational performance



Source: Butchbellah.com

Substantial research over the last 20 years to test if adopting HPW practices leads to improved business performance. Research into this area has contributed to understanding the relationship between HPW and performance (Rogers et al, 2016).

Pfeffer (1994) states that most successful organisations have procedures in place that follow best practice.

After establishing that there appears to be a link, researchers wanted to understand the nature of the link (Taylor, 2016).

What does the research say?

A study by Huselid concluded *'that human resource management practices help to create a source of sustained competitive advantage especially when they are aligned with a firm's competitive strategy'* (Huselid, 1995 p636).

7.05% decrease in staff turnover

\$27,044 increased sales/per employee

\$18,641 more in market value/per employee

\$3,814 more in profit/per employee.

Two well-known research studies also found strikingly similar correlations:

Purcell et al (2003) – (known as the black box studies) conducted over a 6-year period, 12 UK based organisations over a range of sectors known for having sophisticated HR procedures. Aim to explore the performance-HR link through interviews with employees & managers.

Findings:

Job satisfaction/positive attitudes,/commitment to the organisation leading to discretionary effort from employees

Mission statements/values encouraged employees to buy in to the organisation by having a shared sense of purpose.

Effective line management is essential – if employees don't respect and feel motivated by their line managers then HR policies will not be bought into.

Harter et al (2002) – (Gallup Studies) 12 question survey of employees, over 30 years to all types of industries. 7939 businesses partook covering 198,514

employees. Participants were asked to answer questions based on whether they agreed or not.

Findings:

Variation in employee engagement was higher between departments in the same organisation than in different organisations – this highlighted the quality of line management.

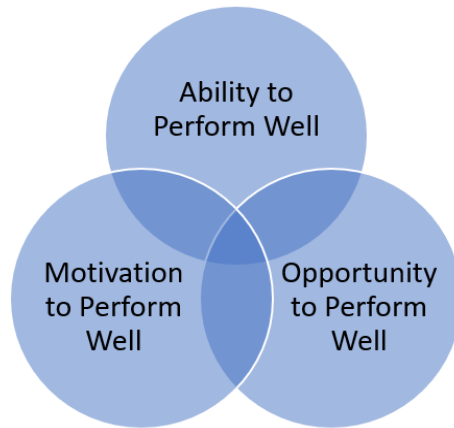
A correlation of employee engagement to success was found, higher engagement = higher success.

A strong relationship between employee engagement and turnover, organisations with higher employee engagement had lower turnover rates.

Both studies found employees responded positively and improved individual work performance could be seen when good HR procedure were in place, thus leading to improved organisational performance which explained Huselid's link. Motivation and engagement mean employees are prepared to go over and above and are more likely to perform well in their roles. Both studies indicated that good line management was essential.

According to Clutterbuck and Hawkins (2020) line managers of the future need to be team literate. The idea is that the team leader develops a team of collective leaders.

AMO Model



Further research developed the AMO model which covers practices designed to build and retain employees and employee behaviour (Roger et al, 2016).



Some argue that it is not HRM activity that causes an organisation to perform well, but is vice versa and a successful business can enable an organisation to have profit, that can be re-invested in the HR function, thus leading to good HR procedures e.g. Apple, Google.

Further arguments are that HRM practices can be used to hide issues such as low pay settlements, longer hours which in turn can lead to increased business performance (Taylor, 2016, p.197-205)

Fleetwood and Hesketh (2010), state that individuals shape an organisation and its performance not HR practices.

The results from studies have been found to be inconclusive, hard to predict how HR practices can lead to financial gain.

According to Paauwe et al (2013, pp6-7) a more realistic approach to assess whether business performance increases when there are good procedures in place, would be to measure it before the policies were in place and then again afterwards, only then would the true indication be shown.



The link between HPW and employee well-being.

- ▶ A recent CIPD report states 'A culture of well-being, driven by great people management, is good for employees and good for business. It makes the workplace a more productive, attractive and socially responsible place to work' (CIPD, 2020a).

Health/well-being can be used as an indicator of the quality of work experienced and produced by the worker (CIPD, 2019b).

Issues with health/well-being can lead to absences in the workplace, leading to a decrease in organisational performance, therefore understanding and improving employee well-being is key.

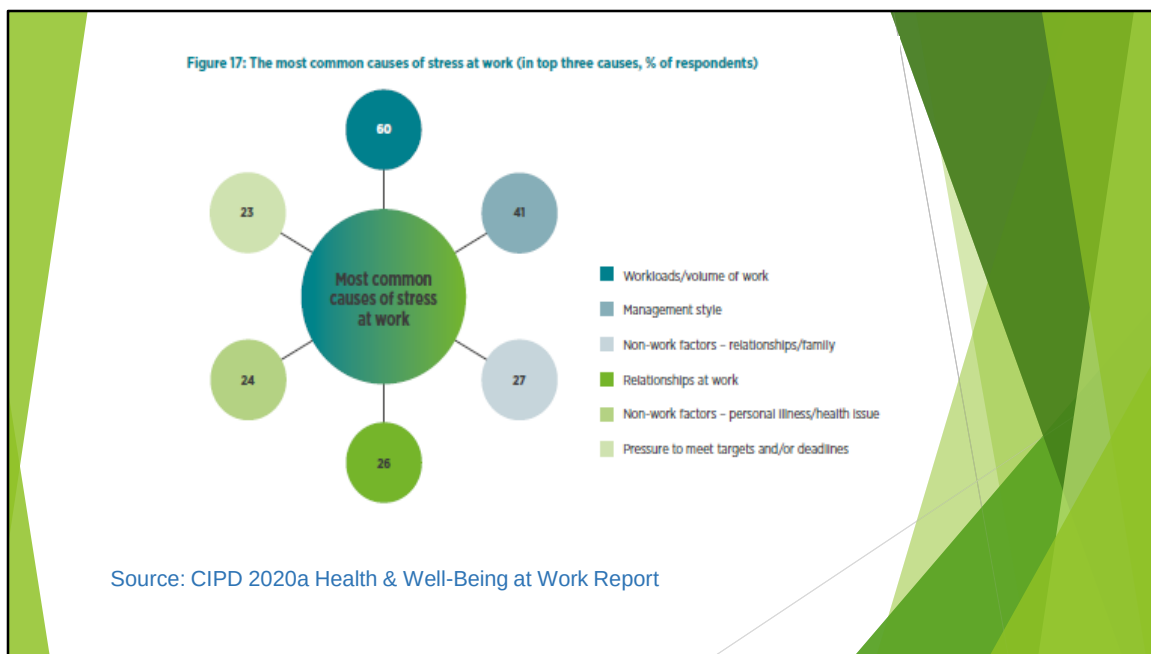
A pro-active approach in supporting employees with assistance programme/counseling can ensure employees stay fit and well.

Organisations that take responsibility and adopt a preventative model reap the rewards by having a resilient and productive workforce (CIPD, 2020a).

Stress/anxiety have become the most common absence reason in recent years. Based on reports the UK has the longest working hours in Europe (Taylor, 2016).

Managing sickness absence through return to work interviews/trigger points are two of the common methods used but taking a pro-active approach to well-

being will assist in preventing the absence.



It's typically line managers who are at the forefront of managing the complex range of organisational factors affecting people's well-being at work. Unmanageable workloads and 'management style' are by far the two most common causes of work-related stress), both of which fall within a manager's remit (CIPD, 2020a).

Line managers are key in ensuring that employees feel supported by their employers to ensure they have and maintain a healthy work-life balance. Therefore, is essential that line managers have the appropriate training on understanding the effects of stress on their teams as well as being provided with the tools in supporting and delivering the preventive approach.

Although low levels of sickness absence are seen positively, it may not always reflect a healthy workplace with organisations facing:

Presenteeism – employees coming to work when unwell.

Leaveism – employees using allocated time off e.g. annual leave, working after contracted hours.

Employees who are working when they are not well do not bring value to their organisation and could lead to more serious health issues. Organisations need to look beyond absence statistics and ensure working practices and expectations are met thus ensuring a healthy workplace.

Line managers play a key role in tackling 'presenteeism' and 'leaveism' through role-modelling, healthy practices, monitoring workloads, sending home people who are ill and creating a culture where people do not work excessive hours (CIPD, 2020a).

Flexible working arrangements and practices are an obvious area to focus on to support better well-being and work–life balance (CIPD, 2019b).

What is Performance Management?

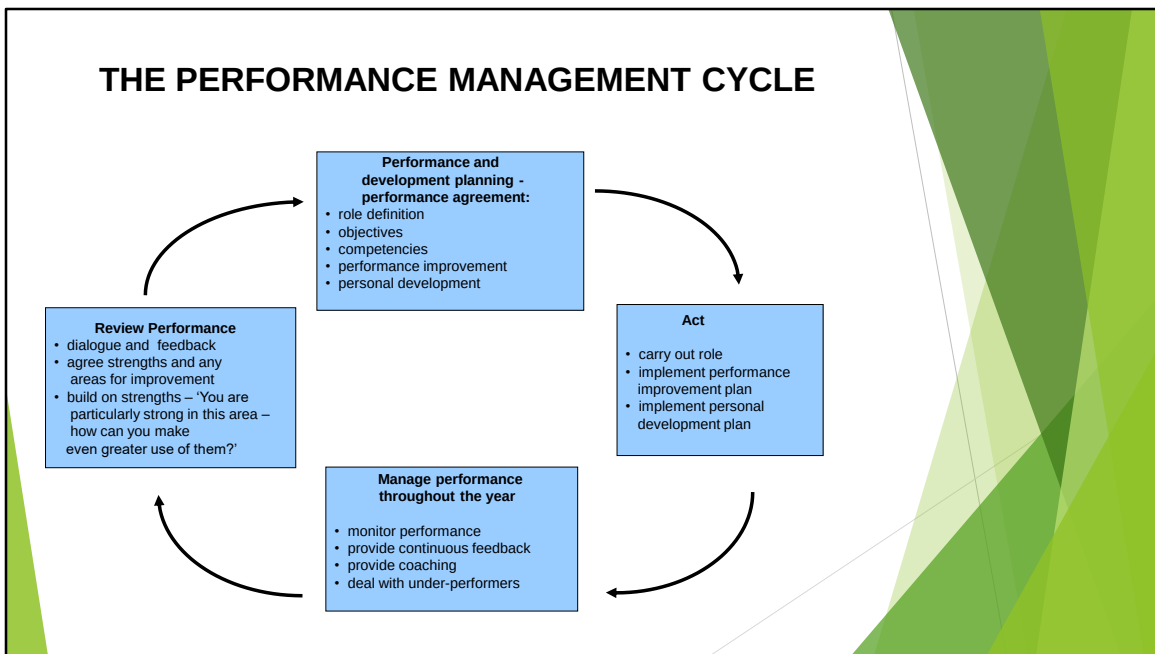
'Performance management is the attempt to maximise this value creation and ensure that employees contribute to business objectives and should align with organisational strategy' (CIPD, 2019a).

'Performance Management is the continuous process of improving performance by setting individual and team goals which are aligned to the strategic goals of the organisation, planning performance to achieve those goals, reviewing and assessing progress, and developing the knowledge, skills and abilities of people' (Armstrong, 2016).

'A shared process between managers, individuals, and teams in which objectives are agreed and jointly reviewed, and aims to integrate corporate, individual and team objectives' Foot and Hook (2008).

There are so many aspects to managing people there is no one simple definition of Performance Management. PM as a term was first used by Beer and Ruh in the 1970's but became recognised in the 1980's.

A general assumption of PM is that if you raise the performance levels of individuals, the organisation's overall performance will increase (Rogers et al).

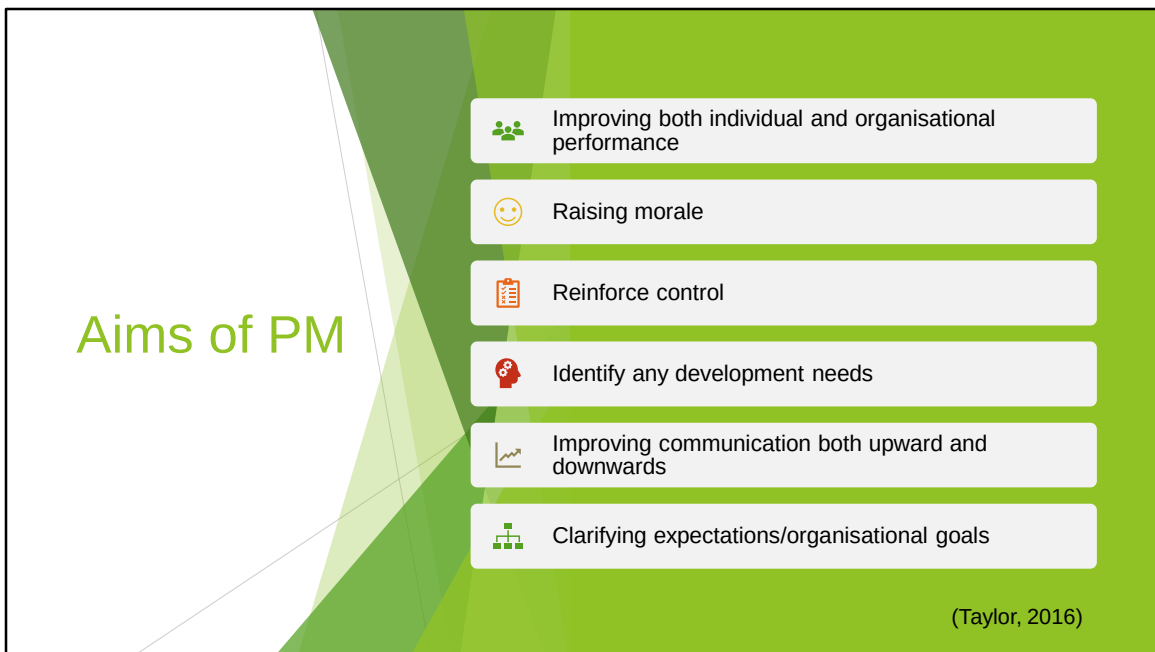


PM is a natural management process and can be viewed as a cycle.

William Deming's (1965) Plan do check model shows the process as follows:

Main stages of the cycle:

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



PM can be split into:

Informal - line managers engage and motivate staff daily, with limited HR involvement

Formal – through performance appraisal systems, personal development reviews where HR play a more central role (Taylor, 2016).

Organisational PM systems vary but have common features:

- Employee meets with line manager on an annual/bi-annual basis to discuss performance
- Outcome is recorded and placed on file
- Action points are draw up which the employee works towards for the next review

Formal PM systems tend to lead the employee to taking the process more seriously. Bloom et al (2012) found that organisations that had these formal processes in place were 23% more productive when they followed three basic criteria:

Targets – employees are set an achievable target by the review date

Incentives – employees received recognition when the target was reached in the form of payment/praise or career development

Monitoring – organisations gather and analyse performance data to identify where improvements are required

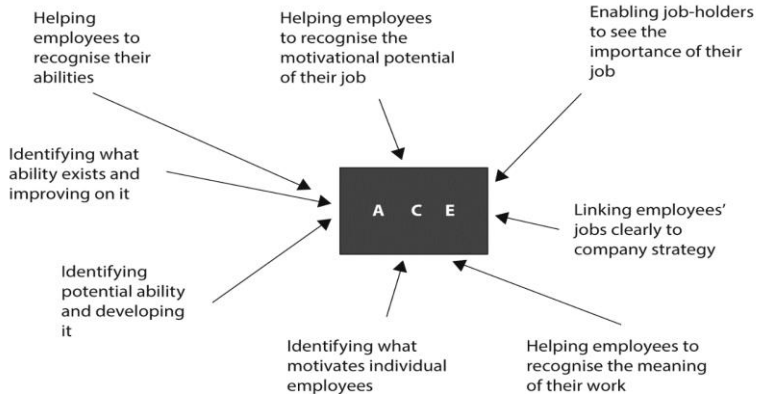
The aims of formal PM include:

- Improving both individual and organisational performance
- Raising morale
- Reinforce control
- Identify any development needs
- Improving communication both upward and downwards
- Clarifying expectations and organisational goals (Taylor, 2016).

‘At KPMG they encourage staff to engage with performance management by integrating company values into the process’ (CIPD 2012).

Employee Capability & Commitment

ACE employees: Able, committed and engaged + opportunity, resources and support = High performance



(Tymon and Rees 2013)

PM is often focused on leading and developing individuals within an organisation.

CIPD (2019) believe PM is to *'establish a culture where individuals/groups take responsibility for continuous improvement of business processes as well as their own skills, behaviours and contributions'*.

Research into PM has shown that employees respond positively in developing/improving their skills when they are involved in the process of reviewing performance against expectations. According to Armstrong (2016) PM can reward people by recognition through feedback, opportunities to achieve/develop skills on their career paths.

Performance appraisals systems have two main aims to evaluate an employee's performance over a specified timescale while also identifying any development needs.

These two aims are often incompatible as the individual will tend to only talk about what has gone well and is less forthcoming about what hasn't, therefore

not identifying any development needs. This could lead to problems when focusing on future performance and requirement of training or development to achieve this. In order to resolve this, it should be made clear that there is no link to pay/promotion or redundancy and that the appraisal system is purely for developmental purposes as it is not possible to achieve both effectively (Murphy and Cleveland, 1995).

Performance can be assessed on:

Behavioural – the results were achieved by observing the employee in the workplace or feedback from others.

Output-based – based on results/targets achieved.

Performance appraisals should meet the following objectives in the acronym:

SMART

Specific

Measurable

Achievable

Realistic

Time bound

Recently due to the changes in the competitive market organisations are questioning whether appraisal systems are appropriate. Objectives are continually changing therefore aiming to meet something that is no longer important may actually be damaging to the organisation and its performance. Rose (2000) has characterised this with an alternative acronym:

DUMB

Defective

Unrealistic

Misdirected

Bureaucratic

Recognising and rewarding talent



Source: adapted from CIPD 2020b

PM can contribute to recognising and rewarding talent, which has many advantages for organisations:

Strategic reward takes a long-term approach to how an organisation's reward policies and practices can support its business objectives. The concept of 'total' reward covers all aspects of work that employees value, both tangible and intangible, and may form part of an overall reward strategy (CIPD, 2020b).

The term total reward includes the traditional elements of pay and benefit packages but also includes:

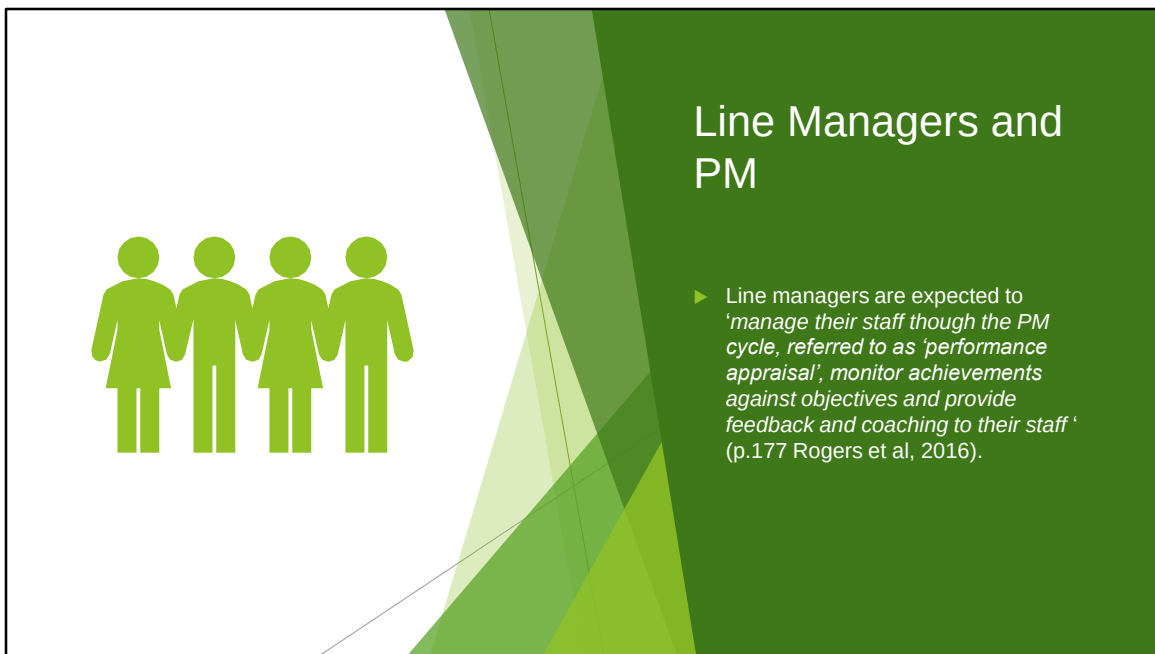
- Professional/career development
- Opportunities for personal growth
- Recognition of achievements
- Involvement in decisions
- Freedom/autonomy
- Meaningful work
- Flexible working
- Able to raise concerns

Line managers that support organisations commitment to the total reward approach are more likely to increase employee motivation and commitment thus aligning with organisational objectives.

Performance management activities focus not only on performance outcomes, but also on employees' skills/knowledge/behaviour (CIPD, 2016).

In a recent article in Harvard Business Review, Cappelli and Tavis (2016) argue that current changes to performance management are a result of changing strategic priorities. There is now less need for individual accountability and more need for development; greater agility and shorter-term targets; more teamwork rather than individual performance (CIPD, 2016).

By acknowledging that it is more than just pay that most employees see as a motivator, things such as addressing learning needs, agreeing objectives, giving feedback can itself be a way of identifying and rewarding talent.



Traditionally line managers (LM's) meet annually/bi-annually with team members to carry out appraisals and provide feedback. However, CIPD's views are that performance management appraisals should be done continually rather than annually (CIPD, 2019a). LM's are the ones who have daily contact with employees, therefore play a very important role in the continual development of their teams which then has an impact on performance of the organisation.

This view is supported by Baker (2013) who mentions the five conversations framework, whereby instead of one annual appraisal, five conversations in different topics are held every six months.

Research shows effective LM's lead to employees feeling positive, higher levels of job satisfaction, commitment/loyalty thus leading to higher levels of performance or discretionary behaviour (going above and beyond) (CIPD 2015c).

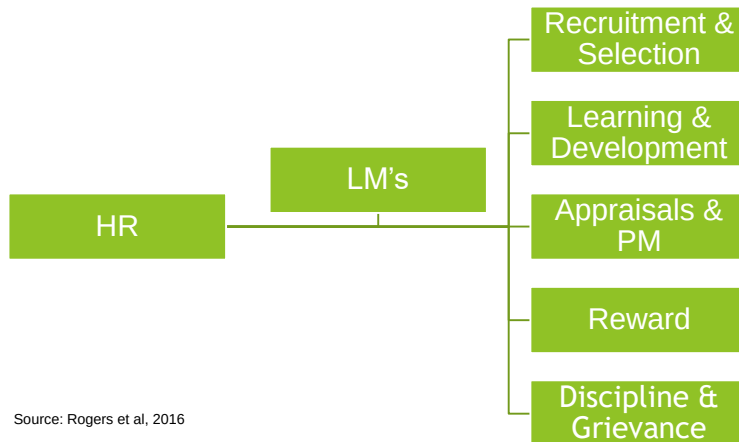
Engaging managers have frequent communication with their teams. Clear expectations/goals help individuals/teams feel valued and are able to see how they contribute to the organisations objectives (IES, 2009) LM's can help

individuals find meaning in their work leading to job enrichment (Roger et al).

For appraisals are carried out effectively, LM's must be committed to the process. Poorly conducted appraisals can lead to demotivation, create uncertainty and effect relationships (Rogers et al, 2016).

Coaching employees by sharing knowledge can help to improve performance, organisations such as Netflix follow this strategy whereby, they build on strengths rather than to bring all up to the same level. Coaching provides checkpoints for goals and objectives and opportunities to adjust them to suit both the employee and organisation. It also provides managers the opportunity to adapt their communication style.

Line Mangers & HR



Source: Rogers et al, 2016

In recent years due to the devolvment of HR practices, LM's work closely with HR in the performance management process and have a very important role to play in the day-to-day management of people/operations, implementing HR policies and the continual learning & development of teams and organisations. They are also the first point of contact for employees.

Working together on recruiting and selecting the best employees by using competency frameworks. Ensuring communication of the organisations mission/vision/objectives and values at this early stage can prove beneficial.

Ensure the introduction process empathises the organisations views on performance management and creates the right cultural expectations from new employees (Marchington et al, 2016).

'I do give them a bigger picture, a brief overview of the company line and how it affects them, and what their impact on it is. This is why we do it, this is what we want to achieve, this is why we want to achieve it and this is what the result will be if we get to the goal that we want to get to' (IES, 2009).

LM's can provide training/development opportunities throughout the employee's careers including CPD opportunities and recognise and reward talent.

LM's can deal with/resolve HR issues that align with business strategy. *Engaging managers do not let problems fester, but would take immediate action* (IES, 2009).

LM's should feel able to approach HR for advice on performance issues. HR can assist LM's to identify and address training needs and can also act as co-ordinator of the performance process

However, to ensure LM's can undertake their role effectively it is essential that HR ensure they are fully trained and have the tight interpersonal skills. Therefore, LM's must also continually be developed and managed. Positive relationships between LM's and the employees they manage are crucial.

Having access to appropriate resources - enables improved/timely information which support management tasks/staff. Inadequate systems or line managers workloads not manageable increases the risk of unreliable/incorrect information.



Source: HR Grapevine

Any questions?

Thank you for your time

Conclusions:

I hope today's session has helped you to understand the research into HPW over the years has shown that organisations that have a bundle of HR practices in place supported and executed by line managers can lead to improved individual and organisational performance.

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