



Understanding the Link between Individual and Organisational Performance

Chloe Tickle

- Student Name: Chloe Tickle
- Student Number:
- CIPD Membership Number:

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- Signed: C V Tickle
- Date: 12 September 2020

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What are HPWS?

“HPWS are defined as a group of internally coherent and consistent HR practices that are designed to promote employee competence, motivation, as well as commitment”

(Datta et al., 2005).

What are the key components of HPW?

- Key components include:
 - Employment security
 - Robust selection & recruitment practices
 - Involvement & participation
 - Self-managed teams – team working
 - Performance reviews
 - Work-life balance
- (Marchington, et al., 2016).

High performance working (HPW) is the concept that a set of prescribed management principles can be identified to enhance management and organizational performance when applied in practice across an organisation (Taylor & Woodhams, 2016).

This ideology, first introduced by Frederick W. Taylor in the 1890's with the concept of scientific management revolutionized the manufacturing industry by increasing productivity using Gantt charts, time and motion studies and assembly lines.

Taylor believed that efficient work systems created

through the optimizing and prioritizing of jobs was more important than increasing productivity of workers using old systems. Taylor believed that workers skills should be matched to jobs, and managers had a duty to supervise staff to ensure maximum productivity through efficient working practices (Mindtools.com, 2020).

The introduction of robust technological abilities within the manufacturing industry supported a shift away from the ideology of scientific management towards the 'human relations' theory which recognized the importance of motivating employees through job design and management systems. The concept of globalization has since introduced more changes in reaction to a less stable, predictable, and more competitive business world due to technological advances.

The principles which remain prominent whilst reviewing the way to maximise productivity are those of the high-performance work systems (HPWS). These comprise of a bundle of management policies which are implemented at the same time and are mutually reinforcing. To date, the exact framework has not been identified, however it is thought that the list should include those policies that are most likely to enhance employee commitment and involvement and should include both HR and general management principles. (Taylor & Woodhams, 2016).

Studies by Pfeffer support the concept of HPWS. Pfeffer suggested that a mixture of policies should be

incorporated and called these the 'best practice bundle'. A later study by Husselid (1995) also supported Pfeffer's findings but on a much larger scale. Husselid concluded that a people focused HRM approach added organizational value in financial terms. A survey carried out in 2014 found that there was a greater impact on performance management and ensuring that this was embedded within organisational culture, than on bureaucracy and paperwork exercises (e-reward.co.uk, 2014), however a proactive management structure should negate the need for formal 'sit-down supervisions' with staff and provide 1:1 time with individuals on a regular basis, embedding this into company culture and the management structure, rather than waiting for a formal sit down supervision every couple of months (Armstrong, 2017).

The Key components of HPWS include:

- Employment security
- Robust selection & recruitment practices
- Involvement & participation
- Self-managed teams – team working
- Performance reviews
- Work-life balance

(Marchington, et al., 2016).

The link between HPW, competitive advantage and sustainable organisation performance.

- Purcell et al (2003) tried to establish the link between performance and HR policies during their research known as the 'Black Box Studies'.

3 major findings were established:

1. Employees respond positively to robust and progressive HR policies, expressed through job satisfaction, motivation, and commitment as well as 'discretionary effort'.
2. Embedding an organisations mission statement, principles and values throughout workplace policies and procedures supports a sustainable working environment with a sense of 'shared purpose'.
3. The study highlighted the importance of line managers in delivering organizational policies and procedures effectively, and the importance of line managers in gaining respect from their staff. Poor implementation of policies was found to be worse in some cases than lack of any formal policies.

(Taylor & Woodhams, 2016)

- Gallup organisation studies = link between 'bundle of policies' which helped motivate employees and support business performance. Also highlighted the importance of line manager role in implementing the bundle of policies. Research showed greater variation in employee engagement between company departments than between organisations (Harter, et al., 2002).
- Research from both studies both support the notion that a bundle of 'policies' help to motivate employees and support business performance

Researchers have tried to establish the link between the HPW 'best practice bundle' and organizational performance. Purcell et al (2003) 'black box studies' aimed to establish the link between performance and HR policies. The research established 3 major findings (Taylor & Woodhams, 2016):

- 1) Employees respond positively to robust and progressive HR policies, expressed through job satisfaction, motivation, and commitment as well as 'discretionary effort'.
- 1) Embedding an organisations mission statement,

principles and values throughout workplace policies and procedures supports a sustainable working environment with a sense of 'shared purpose'.

- 1) The study highlighted the importance of line managers in delivering organizational policies and procedures effectively, and the importance of line managers in gaining respect from their staff. Poor implementation of policies was found to be worse in some cases than lack of any formal policies.

In summary, the 'black box study' highlighted the importance of effective HR policies in organizational performance and confirmed a causal link, although several other conditions must also be satisfied for the policies to contribute to effective performance, for example the study supports the AMO model by Boxall & Purcell which is one of the conditions (Taylor & Woodhams, 2016).

Other research which supports the 'black box studies' include the extensive and credible research conducted by the Gallup Organisation into employee engagement. The findings by Harter et al highlighted greater variation of employee engagement between company departments within an organisation than between organisations. This supports the findings by Purcell et al, which established the importance of line manager leadership in the successful implementation of policies. (Harter, et al., 2002).

Correlations were also found between employee engagement and business success, as well levels of employee involvement and staff turnover. The research from both studies both support the notion that a bundle of 'policies' help to motivate employees and support business performance, depending on the other conditions being met. More recent research in to employee performance suggests a link between 'employee well-being and organizational performance with the notion that the 'best practice bundle' promotes employee well-being which in turn encourages 'discretionary effort' or 'employee engagement' (Harter, et al., 2003).

In summary, HPW supports increased business performance through the development of sustainable and constructive working relationships. Managerial performance is almost as important as having robust and effective policies which help employees to develop a sense of 'belonging', and in turn increase employee well-being, engagement and reduce rates of employee turnover which has the effect of increased organizational performance. Other notable research conducted by Huselid supports these assertions, where it was found that investment in HR policies supported decreased employee turnover, greater productivity and increased organizational performance (Huselid, 1995).

What is the link between HPW & employee wellbeing?

- 2015 Government study highlighted divergence between output per hour worked of UK citizens and other G7 countries with 15.9% less output.
- Evidence suggests that positive employee wellbeing:
 - Reduces absenteeism
 - Promotes productivity
- 'Good work' (jobs that are considered to be autonomous, skilled, supported, secure, good work-life balance) are associated with better health and less absenteeism
- Having HPWS in place ensure that company policies are in place to support 'Good work' practices and employees within the workplace (Personnel Today, 2018).
- Study by Boxall & Macky (2014) found that "high-involvement work processes" were associated with greater satisfaction and better work-life balance and they were not linked to fatigue and stress.

Employee productivity is increasingly at the forefront of political and business agendas. Despite this, a study carried out in 2015 highlighted a divergence between the output per hour worked in the UK, and other G7 countries, at 15.9% less than the others. This was despite a 2015 Government plan to increase productivity (Personnel Today, 2018).

Evidence exists which suggests that positive employee wellbeing (physical & mental health) at work reduces absenteeism and promotes productivity. It can be difficult for HRM practices to strategically support employee health and wellbeing using HRM policies, and

a different approach may be more effective running alongside embedded organisational policies.

Critics of HRM have suggested that such policies can lead to work intensification and subsequent stress which in turn decreases workplace well-being, as suggested by Ramsay et al 2000 (Ramsay, et al., 2000). 'Good work' has been associated with secure, skilled, and autonomous jobs which have a good work-life balance and a good income. These types of jobs are associated with higher levels of mental & physical health with decreased levels of absenteeism (Personnel Today, 2018).

Studies by Peccei et al 2013, Van de Voorde et al 2012 found that high performance is often linked to increased job satisfaction, one aspect of workplace wellbeing. However, these studies are vague on the link between HRM and health-related wellbeing as high levels of performance can directly relate to higher levels of stress.

Stages of the Performance Management Cycle

Demings PDCA cycle of performance management, used by companies who wish to continuously monitor performance on a regular basis (Isixsigma, 2020).

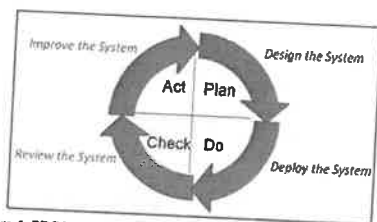


Figure 1. PDCA Cycle for PM System Development and Improvement
Wyatt (2018)



A typical performance management cycle used in conjunction with a formal performance management process (PMINSIGHT, 2020)..

The performance management cycle is the continuous process of improving performance at an individual and team level to achieve goals which are aligned with the strategic vision of an organisation. To achieve these goals, it is imperative that the employee's knowledge and skills are developed, and progress continuously monitored (Armstrong, 2016). 83% of respondents in a recent study stated their belief that goal setting was a key component of the performance management process (PMINSIGHT, 2020).

According to the CIPD, there is no definitive definition of

performance management, however it describes activities that establish objectives, enhance performance, and hold people accountable for their progress and development (CIPD, 2019). The performance management process should be a holistic approach relying on both informal and formal processes. Objectives are defined and ways of linking those objectives to business plans are reviewed with the implementation of measures for success (CIPD, 2019).

The performance management cycle is a continuous process and commences with an agreement to participate in such a process, followed by the ongoing management of performance through the implementation of reviews and assessments. The performance management cycle can be seen in more detail below within William Deming's plan-do-check cycle below.

Deming believed that the performance management cycle was a natural cycle occurring as a result of efficient management rather than a performance management tool. The strengths of this approach lies in its ability to assist with problem solving, continuous development and the creation of daily routine management at team or individual level (Isixsigma, 2020).

The main stages of the performance management cycle

consist of the communication of the organisations vision and objectives, setting objectives at an individual or departmental level, measuring and reviewing performance, identifying training needs, evaluation and linking the individuals progress and outcomes back to those of the team of the organisation.

These stages may naturally occur throughout day to day management activities, however during the organisation within which I am employed, they are commonly approached throughout the use of supervisions and appraisals which are held on a regular basis as well as team and departmental meetings. Research shows that organisations were 23% more productive when these measures were implemented (Bloom, et al., 2012). However it is recognised that employees may have different perspectives on what motivates them, and there is an ongoing debate that this formal approach to performance management is outdated with some people valuing other aspects of their role such as autonomy and freedom which supports creativity, passion and discretionary effort.

The following three theories underpin the principles of performance management: control theory, goal theory and the social cognitive theory as defined by (Buchner, 2007). The goal theory supports the element of performance management that involves the creation of objectives, feedback and reviews. The control theory concentrates on the idea that feedback can be used to

shape behaviour and take corrective action depending on the discrepancies between what they should be achieving and what they are achieving. This element is a crucial part of the performance management process. The Social cognitive theory promotes the idea that peoples perceptions on their own ability has a vast impact on their performance, therefore it is important to develop and build an employee's belief in their own abilities through encouragement and supportive performance management practices (Armstrong, 2016).

Key Performance Management Activities

- Performance management describes activities that:
 - Aim to establish objectives to assist individuals and teams to see their individual role in achieving organisations mission, strategy and objectives which will ultimately improve performance.
 - It may also hold people accountable for their performance by linking it to pay and reward, career progression and termination of employment in the case of poor performance.
 - Activities may include:
 - Supervisions
 - Appraisals
 - Regular 1:1 meetings
 - Team meetings
- (CIPD, 2019).

Do performance management activities contribute to employee capability and commitment, and to recognizing and rewarding talent?

- Yes, they do!
- There is a recognition that more traditional methods of PM are now becoming outdated, 71.3% of respondents felt that their current PM tool wasn't as flexible as it need to be.
- IBM, Microsoft and Google have all reviewed their approaches
- A recent study found that:
 - 63.9% believe that performance & feedback are important to employees
 - 65.2% believe it is important to business productivity
- (Hibob, 2020)

The value of traditional performance management systems to businesses is decreasing. As businesses become more digital and globalization increases, so does the need for a more updated, fit for purpose performance management systems.

It is evident that performance management still has a large impact on the capability and commitment of staff as well as recognizing and rewarding talent, especially in an era where it is recognized that talent is in short supply the business need for a robust performance management system becomes greater (Cappelli & Tavis, 2016).

Research and journal articles show a growing trend for the need to realign the performance management system due to the changing nature of work and a novel way of approaching the management of staff (MICHAEL SCHRAGE, 2019). In the 1960's 90% of US companies were utilizing traditional methods of performance management. In 2014 12% of US companies had dropped annual reviews completely with a further 29% of US companies in the process of eliminating them or planning to do so (Cappelli & Tavis, 2016), with companies like Dell, IBM and Microsoft leading the way in developing and adopting new novel approaches (MICHAEL SCHRAGE, 2019).

People are more likely to respond in a positive manner when they are involved in

their own development activities. If used properly, the performance management cycle can reward employees through recognition and provision of opportunities to develop and achieve. It allows a dedicated process for both manager and employee to set aside time for reflection and review, and a structured process in which pay reviews may be carried out as these are commonly linked to the performance management process enabling employees to feel valued, supported and engaged. Studies such as those by Koster (2011) and Whitener (2001) also report that such practices which are defined within the High-commitment HRM bundle support organizational commitment (Boon & Kalshoven, 2014).

There are many issues with the traditional performance management system. It is inherently reliant on manager opinion, observations and intuition which can result in unfair bias affecting the validity of such an approach. There may be a tendency to provide good feedback based on one recent objective which was met, or through fear of angering or upsetting that employee. There may also a tendency to give more weight to recent occurrences. Google books discuss ways in which this can be avoided, and suggest that peer reviews such as the 360 reviews are a beneficial tool, as well as separating the review from a pay discussion (Marchington, et al., 2016). To combat this, it is also possible for such processes to be more evidence based with the inclusion of performance metrics to measure performance targets. It can be difficult to balance a review of past performance with the need to look forward and support with the development of skills (MICHAEL SCHRAGE, 2019).

Havard Business Review discuss the concept of the 'tough love' review, a ten-minute review which is carried out at frequent intervals and highlights the positives and areas for development. This really confirms the shift away from a formal, less frequent process to the concept of implementing this type of practice in to every day management activities (Havard Business Review, 2015). Other concepts include Bakers Fiver Conversations Framework which discusses the concept of having 5 separate conversations each six months, for example 10 a year focusing on different aspects of work performance (Baker, 2013).

In review, performance management techniques have a valid place in supporting commitment, capability, and recognizing reward and talent, however the approach must be reviewed to maintain talent and support with the development of employees. The general consensus is that a more consistent approach is required with employees preferring more consistent real-time feedback. 98% of respondents within a recent study reported that they fail to engage if they are given little or no feedback (Think People, 2020). There is also the requirement to utilize metrics to aid in the process of unbiased and developmental feedback.

The role of line managers in performance management processes

- Ensuring top down leadership and management
 - Driving for organisation success through the communication of the organisations mission, values and business objectives
 - Ensuring that the performance management process is efficient, effective and consistent
 - Clearly defining work expectations, tasks and roles and ensuring that these are communicated to individuals and the team as a whole
 - Ensuring regular reviews are held to discuss performance and progress towards achievement of goals and suggesting plans to correct any areas of underperformance
 - Establishing an understanding of the importance of such reviews with employees
- (Guide, 2020)

Line managers are an important asset to any organisation, not only are they involved with the day to day management of human assets, they are also involved in implementing HR policies and procedures and learning and development activities particularly in organisations which devolve such tasks to line managers. Therefore, it becomes important to ensure that Line Managers are properly equipped to carry out such tasks (CIPD, 2019).

Line managers play a pivotal role in the performance management process. As part of this role, they will be responsible for carrying out performance management processes such as supervisions and appraisals, and in some cases of poor performance processes such as formal capability procedures which may lead to dismissal.

Evidence suggests that engaging managers approach performance management processes in a similar fashion, in that they are supportive, sought evidence of performance through activity metrics and awarded teams and individuals for their success (Robinson, 2013).

The line manager has many roles to play in ensuring a successful performance management process. Such roles include the following:

- Ensuring top down leadership and management
 - Driving for organisation success through the communication of the organisations mission, values and business objectives
 - Ensuring that the performance management process is efficient, effective and consistent
 - Clearly defining work expectations, tasks and roles and ensuring that these are communicated to individuals and the team as a whole
 - Ensuring regular reviews are held to discuss performance and progress towards achievement of goals and suggesting plans to correct any areas of underperformance
 - Establishing an understanding of the importance of such reviews with employees
- (Guide, 2020)

A recent survey commissioned by IES highlighted several important factors with regards to the line managers role in performance management. Through this research they established that the line managers role in performance management processes was crucial regardless of organisation or sector. They highlighted that high performing managers were consistent in their approach to performance management in several respects. Managers were found to have a developing, coaching style to performance and were supportive and empathetic towards their employees ensuring that goals and expectations were clearly defined, and support was provided to reach these. People were given credit for good performance and managers were found to develop their teams spirit and bond by organizing social events. Throughout this research this approach was received positively by employees who were found to feel valued and committed (Robinson, 2013).

Describe ways in which HR and line managers can work together in performance management processes.

- Supporting line managers with formal processes
 - Designing and implementing formal processes, HR policies etc
 - Supporting line managers to implement formal processes
 - Providing learning and development opportunities to line managers in relation to performance management activities
 - Providing advice & guidance
 - Identifying training needs
 - Coordinating formal processes
- (Mayhew, 2020).

HR professionals are able to work alongside line managers to support with performance management processes in a multitude of ways, for example they are usually involved in designing and supporting the implementation of such processes, provide advice on performance issues, support line managers to manage these issues, support line managers to identify training needs, and coordinate any formal processes.

In many ways, HR professionals must lead the way when it comes to performance management processes, and in developing successful leaders. The relationship between middle managers and HR professionals is extremely important (Mayhew, 2020).

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