

Module Name: Understanding the Link between Individual and Organisational Performance – 5KIOP

Report Title: Understanding the Link between Individual and Organisational Performance

Student Name: Sarah Measday

Student Number:- 1910137

CIPD Member Number:- 55478518

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Signed: *S Measday*

Date: 14th Sept 2020

Measurable Priorities Communication Grow
PERFORMANCE Commitment
MANAGEMENT
Feedback Development HR
Improvement Employees
Objectives Goals Corrective
Direction Job Descriptions Review

Well Hello everybody. Thank you for coming today to learn more about how you as Line Managers can effectively manage and improve performance within your organisations.

Let's start by looking at What Performance Management is and What is High Performance Working?

“Performance Management is about creating a culture which encourages the continuous improvement of individuals' skills, behaviours and contributions to the organisation. It's a key part of the relationship between staff and managers.”

The CIPD logo consists of the letters "CIPD" in white, bold, sans-serif font, set against a dark purple rectangular background.

According to the CIPD “Performance management is about creating a culture which encourages the continuous improvement of individuals' skills, behaviours and contributions to the organisation. It's a key part of the relationship between staff and managers.”

So, within our organisation we want to be promoting continuous improvement of individual's skills and behaviour and promoting good working relationships between employers and employees, manager's and staff. After all employees are our greatest asset.

What is “High Performance Working?” ---Next Slide

What is High Performance Working?

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

High Performance Working according to the UK Commission on Employment and Skills is defined as:

‘a general approach to managing organisations that aims to stimulate more effective employee involvement and commitment in order to achieve high levels of performance... designed to enhance the discretionary effort employees put into their work, and to fully utilise the skills that they possess.’

According to Taylor and Woodhams (2016) “High Performance working is best understood as comprising a bundle of distinct human resource management policies and practices which are introduced in an organisation at the same time and which are mutually re-inforced”

Some of the elements commonly included in the Bundle are :-

1. Rigorous and sophisticated recruitment and selection
2. Investment in training and development
3. Performance-based pay

4. Internal promotion
5. Team-based approaches
6. Grievance systems
7. Employee participation
8. Information sharing
9. Performance appraisal
10. Flexible working
11. Job security
12. Work-life balance
13. Harmonisation of terms and conditions

Why have a High Performance working Bundle?

- People want to work for organisations who have a best practice approach – these organisations are seen as having a positive reputation in the labour market – These organisations achieve “employer of choice” status and attract and retain staff better.
- Employee’s are usually much more likely to become actively and positively engaged in the organisation. This maximises commitment, effort, going the extra mile and exerting more energy than required in their contract of employment.

Why have a High performance working Bundle?

There are 2 main reasons for investing in a High Performance work Bundle.

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2. Employee’s are usually much more likely to become actively and positively engaged in the organisation. This maximises commitment, effort, going the extra mile and exerting more energy than required in their contract of employment.

What is the link between High Performance Working and Organisational Performance?



What is the link between High Performance Working and Organisational Performance?

There has been a large amount of research conducted on this. The results are encouraging but not all are convinced by them.

Jeffery Pfeffer (1994) study “concluded that a mix of policies along the lines of the “best practice bundle” set out earlier were used in the majority of companies. He went on to argue that in his view they had something significant to offer all organisations operating in all sectors”

Mark Huselid (1995) conducted a much larger study which included questionnaires to 968 Organisations all with over 100 employees. His conclusions to this study showed that the more use of sophisticated HR practices there were within an organisation:-

1. the lower it's employee turnover
2. the higher its market value and
3. the higher the profits

This was significant proof that HRM adds Value to the organisation.

As a result of many different types of research into High Performance Working System's it is now widely accepted that "best practice HRM" in the form of a bundle of chosen policies / practices is considered to be of high benefit to all types of organisations. Their introduction is of great value in increasing organisation performance and can also help to sustain competitive advantage, increase employees well-being and also their overall satisfaction.

Understanding the nature of the link?

- Purcell et al (2003)
- AMO
- Gallup

In order to Understanding the link, we can look at the benefits?

Why does the adoption of Best practice bundle seem to have benefitted the organisations?

The most prominent study on this was conducted by Purcell et al (2003) and was funded by the CIPD. This is known as the “Black Box” studies.

A study over 6 years revealed the following 3 major findings:-

1. Where there was a bundle of HR policies in place there was a positive response from employee's, this was expressed in job satisfaction , motivation and commitment to the organisation. Employees work harder and strove to improve performance. In other words they are willing to go the extra mile.
2. Employees “buy in” to the “Big Idea” of the organisation and the response is increased enthusiasm, pride and more effort. There is a sense of “shared purpose” between employer and employees.
3. Effective Line Management is Crucial. Policies and practices need to be brought to life. Without buy in by manager's this method becomes ineffective.

The main outcome of the Black Box studies was therefore that the right approach to HR with effective implementation does indeed bring about higher organisational

performance. They also concluded that other conditions must be met for the bundle of best practices to underpin the high levels of performance.

The black box studies therefore advocated the use of the AMO model:

The **A**bility to perform well

The **M**otivation to perform well and

The **O**pportunity to perform well.

The Gallup study by Harter et al (2002) used a 12 question questionnaire, based on statements such as “ I Know what is expected of me at work” with responses scored on “strongly agree, agree, disagree, strongly disagree, neither agree or disagree”.

3 main points were drawn from the study

1. There is a greater variation in terms of the level of employee engagement between different business units within the same organisation than there is between organisations. This is due to the quality of line management.
2. There is a good correlation between employee engagement scores and performance.
3. There was a strong relationship between employee engagement and staff turnover.

Focus on



More recent studies have focused on employee Well-being. These studies have shown improved employee engagement, commitment, satisfaction, personal health and overall work-life balance.

Many suggest that the use of the best practice bundle promotes employee well-being which is a source of improved employee performance.

Peccei et al (2013) study focused on the development of human capital and the employee relations climate.

Studies by Gallup (which produced very similar results to the Black Box studies) have shown that HR policies and practices, i.e. the bundle, have indeed had an impact on and generate superior organisational performance. As they increase employees' engagement, this in turn impacts on the commitment levels and satisfaction, which in turn promotes general health and well-being.

Performance Management

Armstrong (2016) defined performance management as “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 the people”



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Armstrong’s definition implies that Performance Management is very much a constant ongoing cycle – see next slides

Main stages of the Performance Management Cycle

- Performance management takes the form of a continuous cycle – whereby managers seek to engage and motivate staff on a day-to-day basis. HR plays a minimal role in this apart from when performance slips requiring intervention or disciplinary action. The main concern's are :-
- Agreement of performance and development
- Management of performance through out the year
- Review and assessment – which leads back to setting a new agreement for performance and development.



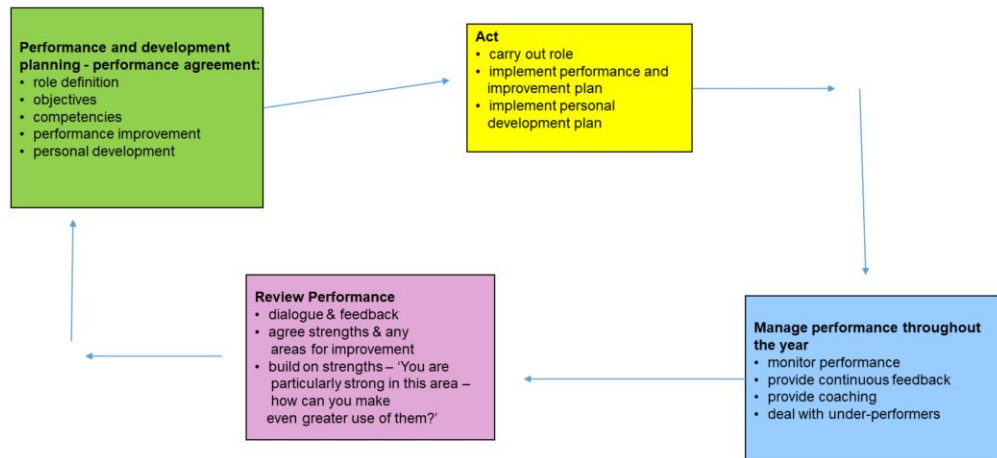
A Performance Management Cycle may look like the following:-

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– next slide

The Performance Management Cycle



The example in this slide shows how the performance management cycle may look in your organisation, this corresponds with that of William Deming's (1965) view and is known as the **Plan-Do-Check-Act** model.

1. Performance and development planning - performance agreement:

- role definition
- objectives
- competencies
- performance improvement
- personal development

2. Act

- carry out role
- implement performance and improvement plan
- implement personal development plan

3. Manage performance throughout the year

- monitor performance
- provide continuous feedback
- provide coaching

- deal with under-performers

4. Review Performance

- dialogue & feedback
- agree strengths & any areas for improvement
- build on strengths – ‘You are particularly strong in this area – how can you make even greater use of them?’

Key activities in the Performance Management Cycle

- Communicate Vision & Values, Objectives
- Set Department & Individual Objectives
- Measure Performance
- Review Performance
- Identify any Training & Development needs
- Evaluate
- Link Individual outcomes to team & organisational outcomes

Some of the Key activities within the performance management cycle are:-

1. Communicate Vision & Values, Objectives
2. Set Department & Individual Objectives
3. Measure Performance
4. Review Performance
5. Identify any Training & Development needs
6. Evaluate
7. Link Individual outcomes to team & organisational outcomes

As you look at the management and improvement of performance consider if you have all these key activities in place or if there is something missing??

How can Performance Management activities contribute to employee capability and commitment?



So, how do the performance management activities effect employees?

Most organisations have some form of appraisal and evaluation system for development of their employees. This maybe in the form of an Annual review with resulting action points.

An international study conducted over a 10 year period by Bloom et al (2012) found that there was strong evidence within both private and public sectors, that employees were more productive if there was a formal performance management system in place by 23%. There were 3 criteria in place for this to happen:-

1. Targets – achievable targets set to deadlines
2. Incentives – praise, recognition, payments or career development.
3. Monitoring – collection of data by organisation to identify where they can improve.

The basic aims of any performance management activities review should be :-

1. Improving individual and collective performance.
2. Raising employee morale
3. Reinforcing control
4. Identifying individual and team development needs

5. The communication of goals / expectations

When employees are clear on the expectations that the employer has on them they work better – a change in goal can cause confusion.

Achievable target ie You need you to improve to 90% rather than “you need to do better” are much appreciated as “you need to do better” is vague and can leave the employee wondering How much they need to do to do better!!

- Agreeing objectives or goals
- Measuring
- Assessing
- Feedback or appraisal meetings
- Reviewing
- Identifying learning needs
- Addressing learning needs

Here are some of the activities we saw earlier
Some of these can, themselves, be a means of recognising and rewarding talent in the organisation.

Agreeing Goal objectives .

Locke and Latham (2002) defined a goal as “an observational or measurable organisational outcome to be achieved within a specified time limit” – The setting of goals within your organisation is the process of consciously deciding goals you want to achieve and within what timeframe. When we do this with our employees it has a much more positive effect than if we just said, “Please can you get that done”! This statement instils panic that the job needs doing by yesterday – proper goal setting has a positive effect on employees and on the organisation itself .

Feedback / appraisal meeting’s.

The Havard Business Review article on the performance management revolution (2016) stated: - “Appraisals gave managers a clear-cut way of tying rewards to individual contributions”.

So by agreeing objectives, measuring performance against them and reviewing employees work etc the appraisal process could give clear identification of how

employees had performed – Talent's could then be rewarded according – in the same way those employees which weren't meeting the targets could be addressed by identifying and addressing training needs.

Research gives varying results and it's not all positive, but we can still see the benefits of performance management.

Firstly, people are generally more likely to respond in a positive way, developing and improving their capabilities. This is especially true if they share in the process of defining the expectations and reviewing performance against their own personal expectations and skills development.

Secondly, when performance management is carried out well, we can offer rewards and recognition in feedback. The employees then have the opportunity to achieve and develop more on their chosen career path's.

The role of the “Line Manager” in performance appraisal.



The role of the line manager in performance appraisal.

The day-to-day performance management should be conducted by the line manager themselves. HR specialists would only really get involved if there is an issue of capabilities or discipline which needs addressing. However HR do play a vital role in ensuring that the correct documentation is in place – ie form's for completion, policies to follow etc.. They also play a vital role in ensuring that all Line manager's are trained in how to conduct an appraisal in the right way. Taylor and Woodhams (2016) note that “ a badly done appraisal is worse than no appraisal at all, in terms of the adverse effect it has on motivation, job satisfaction, commitment and trust between managers and employees.”

The main points that Line manager's need to take on board are:-

- The importance of objectivity and consistency
- The need to avoid passing judgement on the employee's personality or attitudes that do not relate 100% to performance at work.
- Prepare thoroughly
- Be able to justify any negative comments with evidence

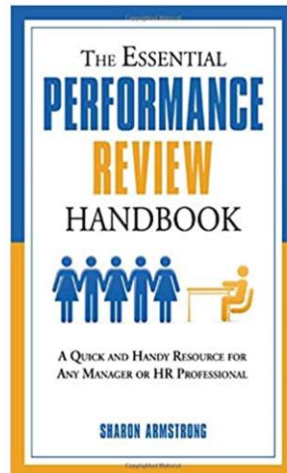
- Encourage employees to be at ease and for them to do the bulk of the talking not you.
- Stress things they are doing well over and above the things that are not so good
- Take a constructive approach to weaknesses and make positive suggestions on how things can be improved
- Always end the appraisal on a positive and constructive point rather than a negative.

The CIPD advocate that the appraisal process should be a more than a once a year deal and should be conducted on a more regular basis. – In my own work I have a monthly 1-1 meeting with my line manager, in these meeting's targets are discussed, feedback is given on current work plan's etc and training needs are addressed and training is offered and praise is given for work completed to good standards. The focus is usually on encouragement and well being.

Baker (2013) argues that the traditional once a year model of appraisal is out-dated and he advocates a “5 conversations framework” – this is the idea on 5 separate conversations over 6 months = 10 conversations per year rather than the 1 big annual appraisal. He suggests that this is a far more flexible and informal approach.

The CIPD also advocates a strength based approach to appraisal – in other words to focus on what the person is doing well rather than what they are not doing well.

How can HR help?



How can HR help?

As already mentioned it is primarily the line manager who is responsible for the appraisal process and HR generally only need to get involved if there is a problem, usually of capability or discipline. HR can also provide:-

- **training and support** for managers – Resources – Handbook – Manager's Toolkit
- **advice** on performance issues – capabilities – discipline issues
- help line managers in **identifying / addressing staff training needs**
- act as a **co-ordinator** of process.

Conclusion



I hope that I have given you plenty to think about today.
Particularly if you are new to Performance Management.
I hope you will be challenged in your thinking especially in the area of how you
conduct your current appraisal process.

If you have questions please feel free to ask
Many Thanks for listening.

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