

Qualification: CIPD Diploma in Applied Human Resources

Module Name: Understanding the Link between Individual and Organisational Performance

Managing and Improving Performance (Presentation)

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Student Name: Leanne Aitken

Student Number: 1810266

CIPD Membership Number: 53274276

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Signed: 
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Managing & Improving Performance



Aims of this session

The purpose of this presentation is enhance your knowledge and understanding of performance management in the following ways:

- By providing an insight into High Performance Working (HPW) and the systems that support it, as well as how HPW drives improved individual and organisational outcomes; and
- outlining how the performance management process contributes to HPW and the **key role** that you play in determining its success!

Contents

- What is High Performance Working (HPW)?
- What are the benefits of HPW on organisational outcomes?
- HPW and the impact on emotional wellbeing
- Life cycle and stages of Performance Management
- How does Performance Management contribute to:
 - i. Employee capability and commitment
 - ii. Recognising and rewarding talent
- The role of line managers in Performance Management
- How HR/line manager collaborate in delivering Performance Management

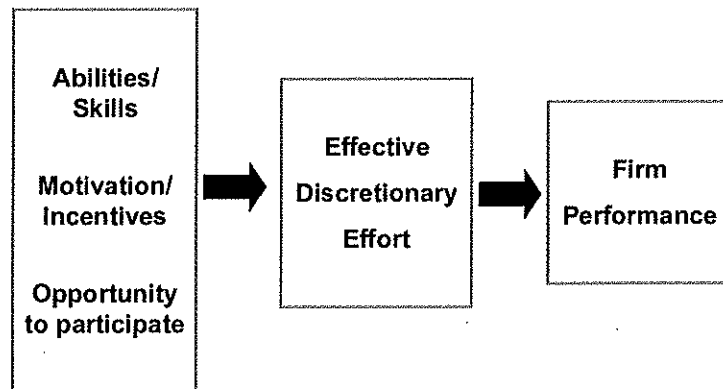
High Performance Working

- Creating a culture of trust & transparency
- Eroding the hierarchical structure in favour of a matrix or flatter structure where employees are happy, engaged, motivated and share in the vision of the organisation (Buzzacott, 2018).

**TREAT
EMPLOYEES
LIKE THEY
MAKE A
DIFFERENCE
AND THEY
WILL.**

This approach entails a people centric focus with employers and their skills at the forefront – there is mounting evidence that supports the view that if organisations are to achieve sustained high levels of performance, a philosophy of people management that advocates autonomy, participation and learning is required with policies and practices that are aligned to support this (UKCES, 2010).

The AMO Model



The AMO model is an excellent and structured framework that provides a better understanding of the relationship between HRM and performance and supports the view that a well trained and skilled employees will perform better and a motivated worker will be ready to "go the extra mile". Likewise, if the work environment does not provide sufficient opportunities, both abilities and motivation may become meaningless (Purcell, et al., 2003).

- Ability = best fit hiring (robust recruitment and selection processes) to acquire people with the capability and skill to expend discretionary effort and support them in developing that potential through training.
- Motivation = satisfying employees' motivating factors – both extrinsic (eg: pay / commission) and intrinsic (eg: satisfaction) combined with an organisational culture where employees feel valued.
- Opportunity = a work environment that provides opportunities to maximise contribution and encourages employee participation and involvement.

It should be noted that a holistic view should be adopted and consideration given to other factors that influence HPWS delivering a positive impact (eg: individual beliefs

and personal circumstances) which can affect the implementation of HPWS practices (Applebaum, et al., 2000)

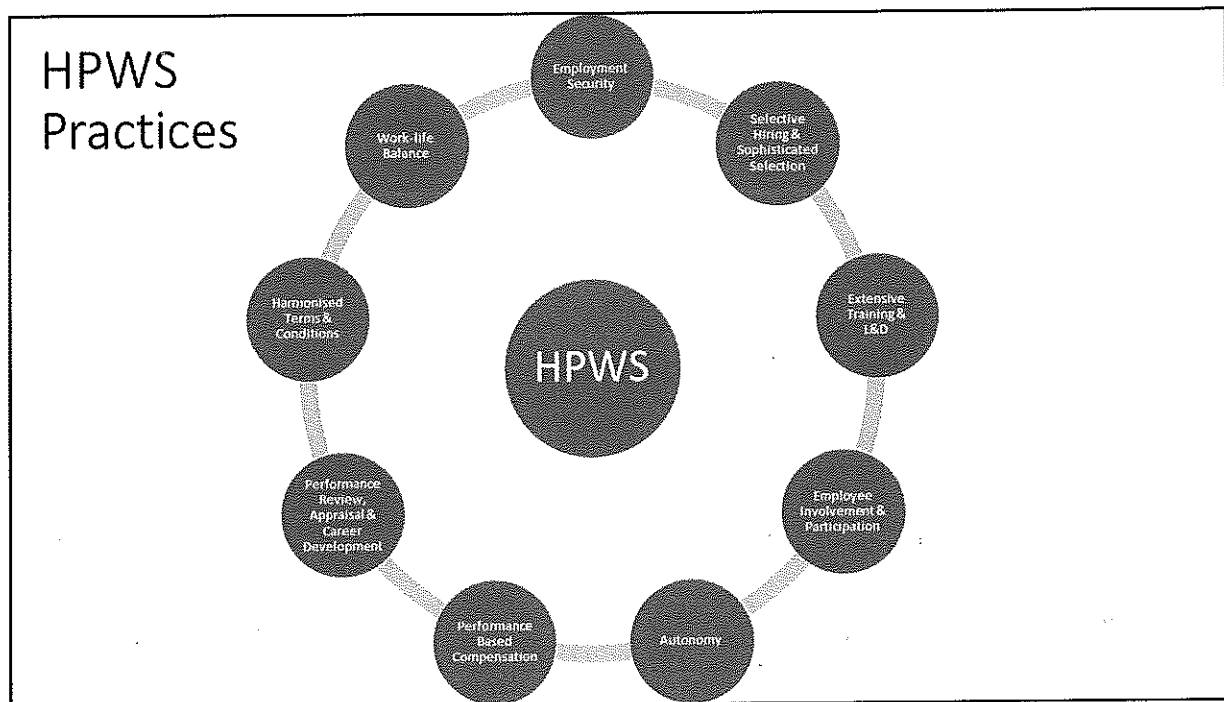
HPW : What do organisations need to get right?



High performance working is essentially based on practices that broadly fall within the above categories.

In the current world of work, agility and flexible are increasingly viewed as having a positive impact on individual and organisational performance and evidence supports that organisations who implement or adopt practices that are grouped into bundles that best fit their strategies and overall objectives benefit from these practices delivering a higher level of effectiveness (UKES, 2010).

High commitment (or best practice) HRM is essentially a bundle of distinct bundles of HR practices and policies, known as high performance work systems (HPWS) which are usually introduced simultaneously and seek to be mutually reinforcing for both the employer and employee (Taylor & Woodhams, 2016) and designed to promote employee engagement and commitment (Marchington & Wilkinson, 2012).



The above model is adapted from (Pfeffer,1998) who devised the first iteration of key high-commitment HR practices, which include:
Clear strategy and effective leadership.

- Performance related pay systems - links to improved talent attraction and retention and serves as an incentive for employees to work at an optimal level.
- Employment security – in the modern world of work, job security translates into effective succession planning, internal transfers and alternatives to redundancy (Marchington, et al., 2016).
- Sophisticated hiring practices and fit for purpose selection techniques - imperative when developing a high commitment model as this is central if the HPWS package is to achieve competitive advantage (Boxall & Purcell, 2011).
- Promoting learning and development- by providing employees with the opportunities to learn new skills and enhance the skills they already have as organisational training is linked to increased job satisfaction – additionally, specific interventions to address skills shortages facilitate an improvement in the quality of output (Marchington, et al., 2016).
- High levels of harmonisation of terms and conditions across all levels of staff - reducing the differential between those at different levels of the hierarchy.

- Allowing employees autonomy over their work styles - i.e. a decentralised structure and reinforcement of self-management (Taylor & Woodhams, 2016).
- Entrench a people-focused culture – recognition of hard work and honesty and introduce family friendly policies (eg: flèxible working).
- Introducing employee support systems and people management processes – i.e. regular appraisals and multi-source feedback, aligned to organisational KPI's (UKES, 2010).
- Sharing information with employees - i.e. regular communications detailing organisational changes so that employees feel informed and consulted.

Does HPW translate into positive organisational outcomes?

- A significant body of research has been undertaken over the past decade that has served to evidence that there is a correlation between HPW and the tangible gains experienced by employees and organisations.
- Research has demonstrated that in high performance environments supported by High Performance Work Systems (HPWS), where policies and practices (including: work organisation, management and leadership, organisational development and employee relations) are underpinned by a philosophy of people management, autonomy, participation and learning, organisations experienced enhanced business outcomes.

In the 11 case studies contained within a report from the UK Commission for Employment and Skills (UKES) with diverse headcounts ranging from 100's to many thousands in multi-national, public and private sector organisations, the UKES was able to demonstrate that there were tangible gains for both employees and the organisations (UKES, 2010).

This hypothesis was further supported by the research conducted by Zhang & Morris (2014) which sampled 168 organisations across sectors operating in China whilst also highlighting that employee outcomes positively mediate the relationship between HPWS and organisational performance. The authors were able to demonstrate that it is employees' perceptions and behaviours that influence the impact of HPWS on performance and as such, affirms the significant role that employee ability, motivation and opportunity to perform plays in improving organisational outcomes.

A further study conducted by Zhang, et al. (2018) across a sample of 397 employees (84 line managers and 21 HR managers in China) highlighted the importance of employees perceiving, understanding and accepting HPWS if they are to exhibit the HPW traits that positively impact organisational performance.

Examples of business benefits achieved:

- United Welsh Housing: achieved high scores twice in the Times 100 Best Places to Work and saw improvements in rental voids, rent arrears and staff absence.
- West Lothian Council : achieved favourable statutory inspection results, followed by a number of external awards, coupled with low customer complaint levels.
- Autoglass: benefitted from early identification of work allocation increases, enhanced key performance indicators and improved retention amongst their technicians.
- Firmus Energy: enjoyed customer satisfaction ratings of 99% for 2 years and a growth in its market share.

Two themes that ran throughout the participating organisations was (1) a strong sense of shared purpose and (2) the acceptance that having management and leadership invested in driving the right kind of change was an imperative if trust, transparency and innovation were to be fostered with the workforce (UKES, 2010).

The above results were achieved through organisations applying diverse interventions based on their assessments of methods that would deliver the required outcome as follows:

United Welsh Housing moved towards a model of partnership working as a means to improve upon its adversarial culture through engagement initiatives and a focus on commercial awareness amongst its workforce.

West Lothian Council engaged in an exercise to breakdown silo working and employees were provided with the opportunity to develop their skills and experiences by being allocated areas outside of their remit and equipping them with the training to be able to work autonomously and make decisions.

Autoglass retained a focus on engaging their people and consequently adopted a coherent approach to training their senior managers in the management style that they were required to operate in to set the benchmark for creating the climate in which their people felt empowered to effectively contribute.

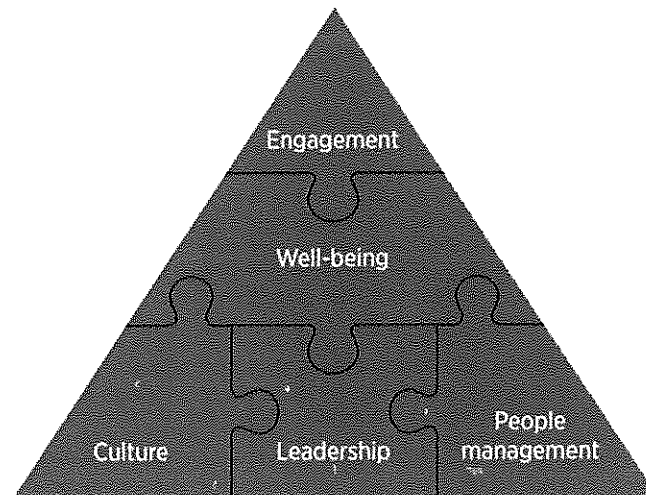
Firmus Energy invested in a personal leadership development programme for all staff.

HPWS : What the critics say...

Some researchers state that although a correlation exists between activities relating to HPWS and business performance, this does not necessarily indicate that the first is the cause of the second, but rather that it works the other way around in that superior performance leads to the introduction of high performance working (Taylor & Woodhams 2016).

Another group have long argued about whether HPWS exist at all and that management rhetoric utilises the term to mask what is being experienced by employees on the ground (eg: work intensification) (Legge, 1995).

How does HPW impact well-being?



The above well-being pyramid highlights that employee well-being is central to employers wishing to develop high performing cultures and in order to create a healthy workplace, an employer needs to ensure that its culture, leadership and people management are the foundations on which to build a fully integrated well-being approach. The CIPD states the employee well-being is a core enabler of organisational performance through increased resilience, reduced sickness absence and higher performance and productivity (CIPD, 2019).

Predicting the link between HPW and employee well-being is based on organisations implementing HR practices and procedures that benefit the employee (eg: Flexible working and job design) which boosts commitment and productivity (Acas, 2013)

Does HPW translate into enhanced well-being?

A number of studies have proven that the theory that increased autonomy, fairer reward and development opportunities result in greater job satisfaction and a better work-life balance.

- Boxall & Macky (2014) undertook a population survey of 1,016 employees in New Zealand to see how HPWS affect worker wellbeing, specifically through the measures of job satisfaction, stress, work-life balance and fatigue. The findings confirmed that there are demonstrable gains to workers as a result of empowerment and from the accompanying supportive processes that foster it.
- Closer to home, a UK case study of an IT business solutions company (Content and Code) focused on a sense of supportive relationships amongst their workforce and a sense of mutuality enjoyed a similar upswing in employee wellbeing where workers expressed that they were made to feel like a family through the use of wellbeing initiatives, flexible working, employee of the month awards and social events (UKCES, 2010).

The research undertaken in New Zealand by Boxall & Macky (2014) was based in the findings of Gallie (2013) who established that the implementation of a high involvement model that fostered the participation of workers in decisions about their work via enhanced discretion and responsibility, resulted in untapped potential being realised.

The “how” question is critical when explaining high performance and the impact on employee well-being, however, and Boxall & Macky (2014) guard against employers operating from the premise that certain practices are inherently high performing and/or beneficial to workers, which the authors say that employers should guard against as this is a common mistake.

This point is expanded upon by Boon & Kalshoven (2014) who state that employees with a high task proficiency are likely to have sufficient personal resources and hence depend less on organisational resources (like high commitment HRM) for enhancing their engagement and organisational commitment.

How employees perceive HR practices is likely to be more strongly related to their attitudes than the actual HR practices themselves, as people do not react to their

actual objective environment but rather to their perception of it (Boon & Kalshoven, 2014), which again highlights the importance of tailoring these systems to that they meet individual and organisational needs, whilst ensuring that the holistic view prevails and no contributors discounted from the process.

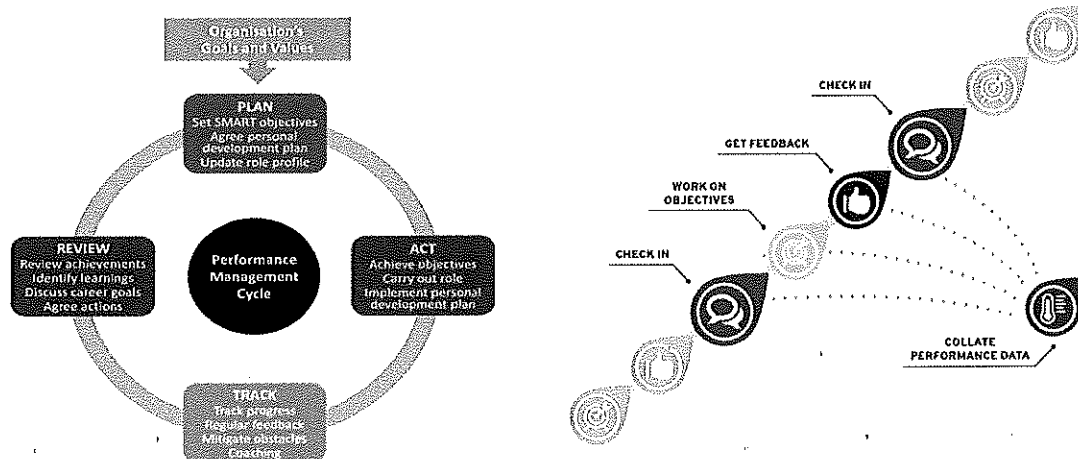
Fundamentals of Performance Management

The CIPD defines Performance Management as comprising a number of principles that facilitate good people management practice, including learning and development, performance measurement and organisational development (CIPD, 2018).

The fundamentals of Performance Management are:

- Establishing and aligning objectives –employee objectives should be aligned to those of the organisation and communicated clearly.
- Improving performance through a continuous cycle of review and evaluation, ensuring that learning and development needs are identified and the relevant training facilitated.
- Driving accountability for individual / team performance by linking it to reward, career progression or termination of employment.

Performance Management : Life Cycle / Stages



The above highlight the different approaches available in managing performance. The performance cycle on the left reflects a process where a set of “SMART” objectives are prescribed at the start of the cycle, followed by mid-point reviews at which progress is monitored, finally culminating in an annual appraisal, where progress is evaluated against aforementioned objectives and a rating assigned to the employee.

It could be argued that the linear model on the right is more suited to the agile environments that exist in many organisations, where fluidity and the ability to adapt swiftly to change makes it difficult to set goals to a timeline of 12 months or beyond and the workforce (many of which are milenials), require more immediate feedback and support, which permits the shaping of objectives during regular check-ins. Goals are more likely to be “DUMB” (Dream driven, Uplifting, Method-Friendly and Behaviour-driven) which advocates of this method claim encourages innovation, collaboration and personal growth (Forbes, 2015).

The role of Performance Management in enhancing Capability & Commitment

The way in which performance is managed has evolved in recent years and different methods and approaches are being adopted to increase employee involvement, cultivate a trust relationship and give people a voice in shaping their careers (eg: 360 degree reviews, check-ins and pulse surveys) (Howamigoing, 2019).

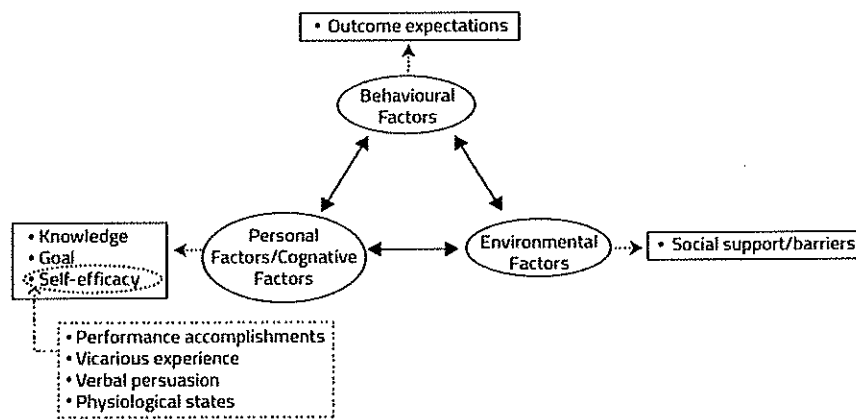
Does continuous Performance Management support Capability & Commitment

The CIPD espouses the view that Performance Management needs to be conducted on a continuous basis and stresses the importance of regular feedback as this retains a focus on learning and development and enables employees to monitor their own progress, whilst staying motivated (CIPD, 2018).

- The following activities form a key part of the continuous performance process:
- Setting individual and team goals;
- planning how those goals will be achieved;
- regular review and assessment;
- developing the knowledge, skills and abilities of people

Consequently, employees are provided with the platform to address any capability issues whilst reinforcing a sense of shared commitment with management who through this regular interaction, demonstrate that they are invested in the success of their people.

Social Cognitive Theory Model



Performance management activities though are, in themselves, not sufficient, which is why the CIPD advocates that a holistic approach be adopted by organisations (CIPD, 2018) and consideration given to behavioural models, for example, the social cognitive theory that purports that “learning occurs in a social context with a dynamic and reciprocal interaction of the person, environment, and behaviour” (Boston University School of Public Health, 2018).

Developing Performance Management Activities to recognise and reward talent

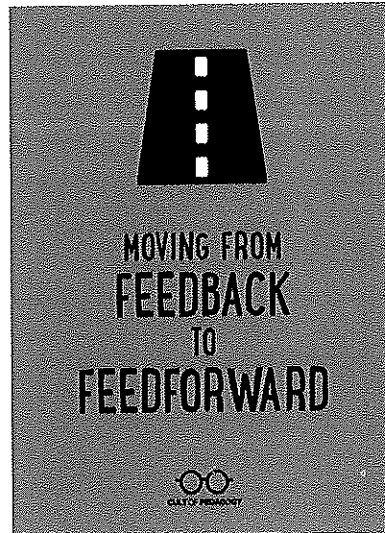
There is growing acknowledgement that an effective performance management process can serve as means to recognise and reward employees through the use of positive reinforcement, eg: constructive feedback, opportunities to acquire knowledge and skills through which to achieve and career guidance around future prospects (Armstrong, 2017).

The CIPD supports the introduction of a strengths based approach when providing feedback during performance conversations by understanding what worked well, what it was that contributed to that success and ways in which the employee could replicate that going forward (CIPD, 2017)

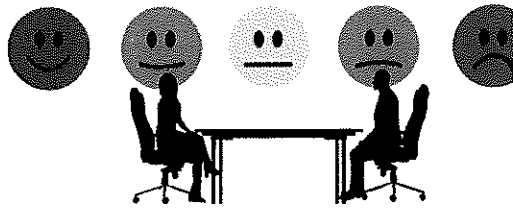
*Change is the law of life
and those that look only
to the past or present,
miss the future ... (John F
Kennedy)*

Consider adopting a future focus mindset and collaborating with employees to build on positive aspects instead of focusing on what is wrong and engage in a feedforward interview (Kluger & Nir, 2010).

This replaces the standard performance appraisal and attempts to "elicit success stories from employees with a view to creating the same facilitating conditions for success in the future" (Budworth, et al., 2015)



The role of Line Manager in Performance Management



- Providing clarity in respect of their expectations which provide focus and instill a sense of purpose amongst their direct reports;
- Giving regular, frequent feedback and having a sound awareness of what members of their team are undertaking on a day-to-day basis - adopting a coaching management style;
- Monitoring performance and taking corrective action when required;
- Boldly tackling performance and behavioural issues as soon as they are identified;
- Breaking bad news in a manner that is honest and forthright, whilst being supportive.

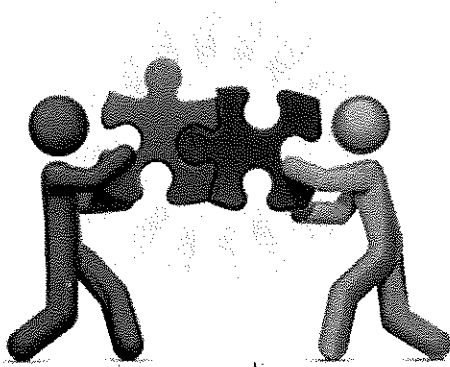
The above recommendations were compiled following a study by the IES (2013), who were rated as displaying the behaviours that indicated high levels of engagement and their contributions to the success of their direct reports were grouped into the actions listed.

The manner in which front line managers deliver the policies are a key differentiator in determining the effectiveness of the performance management process (Taylor & Woodhams, 2016).

In the black box studies undertaken by Purcell, et al. (2003), a key finding was the importance of line managers in bringing HR policies and practices to life and this is certainly true of the Performance Management Process, where if performance is to be fully realised, employees require line managers modelling behaviour that engenders respect and fosters a shared sense of purpose.

This view is supported by a survey of 397 employees in China which concluded that managers who align their own goals to that of the organisation, are able to impart that philosophy to their employees and mutually beneficial outcomes follow (Zhang, et al., 2018).

Why should HR & Line Manager collaborate?



- The most important role that HR can play in this process is collaborating with management to facilitate commitment, in order that behaviours are modelled from the top down (Rees & French 2016).
- Devolution of Performance Management to Line Managers has rebranded them "critical HR implementers" (Sikora & Ferris, 2014)

How can HR support Line Managers in delivering Performance Management?

- Providing training and support (eg: how to guard against bias when determining ratings, managing difficult conversations and coaching techniques).
- Acting in an advisory capacity and providing insights and guidance on performance issues and the stages of a capability management process, to ensure that performance is managed fairly and in compliance with policy.
- Utilising data analytics to identify risks and equip managers to identify how this data could be applied within a performance management context (eg: IBM devised a retention predictor tool which highlighted drivers for people considering exiting the organisation) (Schrage, et al., 2019).
- Administer reward and recognition systems (eg: KPMG operate a performance related pay scheme so HR review the ratings distribution curve as the top performers benefit from a differential financial reward) (CIPD, 2012).

In summary...

Creating a high performance culture through effective people management whilst aligning individual needs to organisational objectives is a complex and multi-faceted issue. Despite the extensive debate around which systems best support this and whether growth and development trump accountability using systems that support a reward / punishment model (Harvard Business Review, 2016), the foundation of success lies in adopting a holistic approach, aligning organisational values to business outcomes and creating an environment where authentic relationships at all levels of the business translate into high levels of involvement, commitment and engagement.

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