

Task Four – Briefing paper

Prepare a briefing paper, aimed at providing Healthcare on Hand's management team with essential knowledge and understanding of performance management and reward. You need to ensure that you include an explanation of:

- the purpose and components of performance management. (AC 4.1)
- the main factors that need to be considered when managing performance. (AC 4.2)
- different methods of performance review. (AC 4.3)
- key components (financial and non-financial) that are required to achieve an effective total reward system. (AC 5.1)
- the relationship between reward and performance, and the links to motivation. (AC 5.2)
- at least **two** reasons for treating employees fairly in relation to pay. (AC 5.3)

Your evidence must consist of:

Briefing paper (Approximately 1500 words, refer to CIPD word count policy)

Performance Management Essential Knowledge and Understanding

The purpose of this paper is to assist the organisations management team on understanding performance management on a wider scale. This paper will focus on providing guidance to our management team on the purpose, factors and methods to consider when managing employee performance, whilst also providing an understanding on the relationship between reward and performance and how this can link to motivating their employees.

The purpose and components of performance management. (AC 4.1)

The purpose of performance management is to ensure that organisations are providing their employees with an understanding of how they should work and provide them with the correct resources they need to develop. This also gives line managers a chance to ensure that employees are aligned with the organisation's values. This is supported by Koskarova, (2022), who highlights how without managing performance, employees will not know what is expected of them or what they need to improve in order to progress their skills and development within an organisation. Koskarova expands further, explaining how having a performance management system in place is the most important system an organisation can have. This should start with the training of line managers on how to evaluate their team sufficiently. Components include having a set policy or procedure in relation to performance management, which, Waite, et al (2021), emphasises how the components of

performance management should be different in every workplace to be the most effective. These procedures should set out a clear understanding for line managers to follow, such as, the timeline of reviewing performance of their employees. It also should give indications of who should be involved and their role within this. Waite, et al, also highlights how whilst this is typically handled by managers, there could be circumstances in which an employee may report to a team leader. Having regular reviews, should be monitored on a recording system, this way managers would be able to set clear goals, outcomes and providing feedback for both the approach taken to performance management and to the employees. By having accurately specified job descriptions, employees will have a clear understanding of what is expected of them and how these contribute to the organisation. Whilst the consensus is that if done well, managing performance has a positive effect on the performance of employees, not everybody believes this. A survey concluded by McKinsey&Co (2018), showed that 54% of respondents believe that performance management has not had a positive effect on their performance.

The main factors that need to be considered when managing performance. (AC 4.2)

There are numerous factors that can affect an employee's performance, one of them being job satisfaction. An abstract taken from 'Performance Management, Job Satisfaction and Organisational Commitment', Fletcher & Williams, (1996), provide us with questionnaire results from nine different organisations. The findings showed job satisfaction contributed towards positive employee attitude and therefore, improved employees' performance. It would come as no surprise that if an employee enjoys their job, they will put more effort into it, more likely succeed and as a result will be more satisfied. Motivation is another crucial factor to be considered when managing performance, Waite et al, (2021), describes motivation as the extent to which someone is enthusiastic to complete their job. Whilst all employees may have a different understanding of what motivates them, it is important for line managers to gauge an understanding of how motivating their staff can improve productivity. Souders, (2020), suggests that organisations who provide their employees with meaningful work contribute to fulfilment that spreads across organisational culture and echoes into the employee's personal life. This statement is supported further by Herzberg's two factor theory (1959), which implies that by providing meaningful and constructive feedback with an understanding of how they can progress, employees will feel motivated.

Different methods of performance review. (AC 4.3)

There are several appraisal methods that can be used to review performance, all of which should be set out in the organisation's performance management procedure. Waite, et al (2021) discuss how there has been a more continuous approach to performance reviews rather than organisations sticking to their annual appraisals. Feedback suggests that having more frequent reviews can be more effective as you are discussing performance based on what is happening right in the moment, by having this more frequently can also allow the employee to feel like they are being less judged by their management. Waite et al, (2021) suggests the best approach would be to have regular informal conversations alongside an annual appraisal to allow a performance review to be based on a longer period, giving managers time to work with the employee

to achieve the desired goal. Other methods of reviews could consist of a peer assessment, which could be a beneficial way to improve work-based relationships allowing employees to learn from each other. Indeed, (2022), explains how by introducing peer assessments into performance reviews this can create a sense of fairness. However, it is important that team members have set criteria to follow as they could find themselves making “a pact” to report positively, therefore it could benefit to have these held anonymously. Organisations could also use a 360-degree appraisal, which involves gathering feedback from several different sources who know the candidate. This could be from employees, managers, reports or customers. Whilst this can be an extremely beneficial way to gather accurate feedback, this could be quite costly to an organisation.

Key components (financial and non-financial) that are required to achieve an effective total reward system. (AC 5.1)

Armstrong, (2019), referenced in Waite, et al, defines a ‘total reward’ system as both financial and non-financial recognition. Some key financial components which are commonly used across organisations include bonuses. According to the CIPD reward management survey, (2022), many employers use bonuses or cash incentives to reward employees based on their level of work or as a measure of how the company is performing. The CIPD, (2022), describes how bonuses can motivate staff as they must be earned, which in comparison to base pay or spot rates which are universally given to all employees regardless of effort. Providing benefits such as staff meals, car allowance or pensions can be key parts in total reward. Although not immediate, pensions are a valuable way to retain talent as it helps employees with financial security for their future. To ensure that an organisations pension scheme is used effectively, CIPD, (2023), lists ways for employers to communicate pensions effectively as research shows that employees undervalue rewards that they cannot seek immediately. Whilst financial rewards are important, Armstrong, (2019), explains how these rewards could easily be matched by competitors, therefore, non-financial rewards are just as important as these are more personal and harder to imitate. Acknowledging employees hard work through recognition schemes such as ‘employee of the month’ can be a vital way for employees to feel valued and to feel like they are contributing to an organisation’s success. A study conducted by Glassdoor, (2013), showed that 70% of employees would feel better in themselves and their efforts if they were regularly thanked by their boss. Further studies by Glassdoor went on to show the percentages of employees linked with what makes them feel appreciated, 37% citing career development and opportunities and 40% citing being involved in decision making.

The relationship between reward and performance, and the links to motivation. (AC 5.2)

There are several theories surrounding the relationship between reward and performance, and their links to motivation. Waite, et al, (2021) discusses the motivation theory, explaining how extrinsic motivation is linked to rewards in the forms of bonuses and incentives, whilst intrinsic motivation is how the employee is motivated by the nature of work they are undertaking. Non-financial rewards are important when looking at intrinsic motivation, as these are harder to match on the competitive market. It is what will stand out to employees

on a personal level as once they have reached their highest level of job satisfaction, they will ultimately make an organisation an employer of choice and will hold the financial rewards at less value due to them not positively impacting motivation. Herzberg's motivation-hygiene theory suggests there are two separate categories for motivation. The categories are split into the hygiene factors, which are only said to satisfy employees such as, salary, job security and work relationships, and motivator factors which are those that have a positive impact on employees, such as, achievement, recognition and growth and advancement. It is important for managers to understand the difference between satisfying an employee and motivating an employee and should work with the employee to understand their individual needs. As Latham and Locke's Goal Theory, (1979), suggests, that managers and employees should collaborate on a goal, as this increases the employee's likelihood to participate in achieving this goal.

At least two reasons for treating employees fairly in relation to pay. (AC 5.3)

In line with the Equality Act 2010, which gives women equal rights to men in relation to pay, it is extremely important that organisations are compliant as they may find themselves reporting to an employment tribunal if a claim is made by an employee. Outside of an employment tribunal case, your reputation and brand are at serious risk and the relationship you have with your employees could be extremely damaged following any claims of unfair pay schemes. The Equality and Human Rights Commission, (2020), explain that employers who are fair in relation to their pay increase their chances of retention, also increasing their employee's efficiency. By treating employees fairly in relation to pay, this could also have a huge impact on the motivation of your employees. Herzberg's theory, as discussed earlier in the paper, could link into this, as if an employer is not meeting an employee's hygiene factors, such as pay, they will not be satisfied and they will not be able to reach their motivator factors and would dismiss the organisation as an employer of choice. Therefore, it is crucial line managers understand the repercussions that could arise as a result of unfair pay.

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