

The following document is a Briefing Paper for Jaspreet and Caroline, in preparation for employing three sales assistants. This paper provides the essential knowledge and understanding of performance management and reward.

4.1

Armstrong (2023) defines performance management as a systematic and continuous process for improving organisational performance by developing the performance of individuals and teams.

Performance management is a key part of the relationship between staff and managers. A key purpose from an organisational viewpoint is to enhance and/or sustain employees' performance in alignment to the organisation's goals (P.378, 2023).

The success of organisations relies heavily on the performance of its workforce; therefore, organisations must be active to ensure and support performance.

Organisations have performance management is to track employee performance against their own ambitions. When employees hit organisational goals you can reward the achievements, with eyes on succession planning, preparing people for the future.

Key components of performance management include:

- Providing learning and development options for employees. Do not solely criticise or recognise performance, you must give employees the opportunity to maintain or improve.
- A system that records performance information and outcomes. Utilise modern technology to store and record information, this can be done via surveys, audio interviews, tools such as menti-metres for anonymous appraisal evidencing and feedback.
- A set procedure for the organisation to follow. Organisations must be clear who is responsible for giving reviews into performance and the frequency and the formality of the review.

4.2

Whilst managing performance, you must consider important factors, especially those that are impacting the job performance of your employees. In this case, experience, values, knowledge, and awareness would all be relevant factors.

Motivation and the levels of, is a factor when managing performance. To Armstrong (2023), high performance is achieved by well-motivated people who are prepared to exercise discretionary effort, i.e., independently do more than is expected of them.

Thus, motivation is important because it evaluates the extent to which someone is enthusiastic about their role.

You can motivate employees through intrinsic (internal feelings, enjoyment or feeling appreciated) and extrinsic (pay, rewards, titles held) factors. Where either intrinsic or extrinsic factors are insufficient for staff, motivation will be significantly affected.

Another important factor to assess is the quality of the leadership or management.

Good leadership positives for performance means that “When we feel safe, when we feel our leaders have our interests in mind, the natural reactions-the natural human reaction as we look out for each other, we work harder, we are more innovative, and we offer ideas and best talents” (Simon Sinek, 2014).

Poor leadership when managing performance is critical to see, it alienates employees, demotivates, gives a lack of direction, reduces employee autonomy, kills team spirit, whereas good leadership does the opposite and ultimately motivates the workforce.

4.3

It is important for a good leader to assess their workers’ performance and discuss directly with them their findings – this is commonly known as performance reviews. Also known as appraisals, performance reviews form a holistic approach to managing performance (2024, CIPD).

Key methods of performance review include 360-degree feedbacks and manager assessments of employee performance.

A 360 is a multi-source feedback tool, gathered from a range of sources giving their honest thoughts about an individual.

Managers, peers, subordinates, colleagues, customers, can all assess an employee. The assessors give their own opinions on their employee’s performance, which is then fed back to the subject individual.

360's are filled in and delivered back anonymously, which can give advantages and disadvantages, one such disadvantage being that people may not give honest feedback, however, a major advantage being that participants can receive a well-rounded view of their performance, rather than a singular one from their manager. In my experience, I have also seen it as a huge confidence booster for the subjects undergoing a 360-review receiving positive affirming messages that they are on the right path.

Bracken et al, say successful 360's are those that create focused, sustained behaviour change and development in skills for a sufficient number of people, resulting in increased organisation effectiveness (2004).

Manager assessments of employee performance are delivered in a one-to-one format, as often as the relationship requires it. Review timeframes vary depending on the managerial support needed, so they are commonly, once a quarter, once a month, or more often if required.

Frank Cespedes notes that before reviews, managers must first make clear the standards, including ethical standards, by which the performance will be judged: what's important and how much you expect (2022).

The purpose of a manager assessment is to give accurate and actionable evaluation of their employee performance, and then provide development in line with the employee's skills. There are key steps to follow during these assessments including,

1. Convey the positive intent to increase the employee's effectiveness.
2. Describe specifically what the manager has observed – the illustrative and critical incidents that are impacting performance.
3. State the impact of behaviour and action. Focus only on behaviours within the employee's control.
4. Make it a two-way transfer of information. With performance, two people can observe the same events or outcome yet interpret it differently (2022).

5.1

Bussin & Van Rooy describe total rewards as the sum of values of each element of an employee's reward package and may include everything that employees view as important and of value within their jobs (2016). Therefore, it is important to consider all the available financial and non-financial means of rewarding employees. Why?

Financial rewards concentrate on the benefits and monetary compensation provided by employers as a part of an overall compensation package. These include, base salaries, bonuses, stock options, benefits, and retirement plans.

Lenny Sanicola undertook research around financial wellbeing and cites evidence that In the UK one in four of us report that personal financial concerns affect our ability to do their job (CIPD, 2017).

Non-financial rewards concentrate on incentives, recognition and/or benefits for employees other than involving money. Examples include time off, recognition programs, professional development opportunities, work-life balance pros, career advancement ops, perks and benefits, and personal development chances such as coaching.

It is important to have a good balance of financial and non-financial components because one offers financial security for their future, and the other will create a positive workplace culture by showing employees that they are valued, thus raising morale, motivation, and engagement.

When an organisations total reward system has the correct balance, it can help propel it as an 'employer of choice' (P. 187, 2021).

5.2

There are several theories centred around motivation, one such is the goal theory founded by research undertaken by Lathom and Locke (2021), which is where individuals are set goals, and as a result their performance increases in line with their motivation to achieve their goal.

Charles Cotton, Jonny Gifford, and Jake Young of the CIPD (2022) point to research which shows reward encourages performance standards via financial incentives and recognition. They note that they help demonstrate to employees that their contributions are recognised, respected and important to the organisation.

Linking back to AC 4.2 which noted that intrinsic and extrinsic play a role in motivating employees, this is supported by Motivation theory which acknowledges intrinsic and extrinsic as the two types of motivation.

Motivation driven by feeling - is key (Performance Management Insight, 2019). Intrinsic rewards motivate through the psychological benefits employees gain from making meaningful contributions into their workplace.

Performance is boosted through intrinsic rewards is equal to, if not more important than monetary rewards, this is backed through Academy of Management research (Performance Management Insight, 2019), which showed that the addition of feedback and social

recognition increased employee performance up by 26%, whereas monetary incentives alone, increased performance by 11%.

The prospect of a reward or punishment is a simple definition of how extrinsic rewards work as motivators for people.

Offering people, a financial incentive increases their (controlled) motivation, and as a result will enhance their performance, especially for non-interesting tasks (CIPD, 2022).

Extrinsic rewards include bonuses and commissions as major financial incentives. Bonus schemes are popular and are effective for the organisations short term goals, by focusing employees on achievements that the organisation itself sees as important.

5.3

The potential to earn greater amounts through extrinsic rewards are clear, however there are legal requirements to ensure for fair, equitable and consistent approaches to pay and reward.

The CIPD identifies three types of fairness at work in pay terms including, distributive justice, procedural justice, and interactional justice (2023). Fairness at work creates trust for employees towards their employer, trust that they respected and valued.

Treating all employees fairly in relation to pay has not always been the case, in fact, it was common practice until 1970 to pay women and men different amounts for doing the same job.

This now acts as a major reason to treat employees fairly in relation to pay is to protect yourself against equal pay claims, which was introduced as the equal pay act of 1970. This act made it unlawful to pay men and women differently for doing the same job.

Secondly another reason for treating employees fairly in relation to pay is for retention of staff. Happy motivated, well-paid staff stay longer and are potential candidates for talent progression within organisations.

Recognising and rewarding good performance is a major factor that affects retention, and pay rewards has a part to play. A report in 2022 by the CIPD, showed that 37 percent of people cite pay and benefits as the main reason for changing jobs (Armstrong, 2023).

A theory and third reason for fairness in relation to pay, is equity theory. Equity involves feelings and perceptions, and the theory is centred around how people perceive they are treated compared to others (Armstrong, 2023). Where colleagues are paid differently, or performance is judged to be biased and bonuses paid out, employees will feel inequity, injustice, become demotivated, and ultimately quit.

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