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MODULE NAME: UNDERSTANDING THE LINK BETWEEN INDIVIDUAL AND ORGANISATIONAL PERFORMANCE

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STUDENT NAME: NIA WILLIAMS

STUDENT NUMBER: 1806523

CIPD MEMBERSHIP NUMBER: 53274221

BY SIGNING BELOW, I CONFIRM THAT THE WORK/EVIDENCE PRESENTED IS MY OWN, UNAIDED WORK. I UNDERSTAND THE REGULATIONS PERTAINING TO CANDIDATE MALPRACTICE AND THE ACTION THAT MAY BE TAKEN AS A RESULT.

SIGNED: N.WILLIAMS

DATE: 4TH JUNE 2019

Understanding the link between individual and organisational performance

NIA WILLIAMS

Areas to be covered:

High performance working :

- ▶ Definition and description of HPW
- ▶ Link between HPW and organisational performance
- ▶ Link between HPW and employee well-being

Performance management:

- ▶ Stages of the PM cycle and key performance management activities
- ▶ PM and employee capability and commitment
- ▶ Role of the line manager in PM
- ▶ How HR can support Line managers



During this presentation there will be two areas that will be covered. Firstly it will begin with looking at high performance working (HPW), where a definition and description of HPW will be given along with academic research to demonstrate the link between HPW and organisational performance and the link between HPW and employee well-being. The second part will look at performance management (PM) where the stages of the PM cycle and key performance management activities will be outlined along with an evaluation of how performance management can contribute to employee capability and commitment. An evaluation of the role of line managers in PM processes will also be given along with a description of the different ways HR and line managers can work together in PM processes.

What is high performance management?

- ▶ Bundle of distinct human resource management policies and procedures (Pauuwe et al, 2013)
- ▶ Also known as High commitment HRM, high involvement work practices and best practice HRM (Taylor, 2016).
- ▶ Associated with high levels of organisational performance.



HPW systems are defined as “comprising a bundle of distinct human resource management policies and procedures which are introduced in an organisation at the same time and are mutually reinforcing” (Pauuwe et al 2013, pp7-8). This is also known as high commitment HRM, high involvement work practices and best practice HRM. It is **believed** to be associated with high levels of organisational performance. People want to work for organisations that take this best practice approach and once employed, staff are more likely to be engaged, committed and release discretionary effort because they are happy and motivated. Having best practices in place helps attract people to the organisation (Taylor, 2016).

What is high performance working? (Kew and Stredwick, 2010)

- 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

According to Kew and Stredwick (2010), high performance working includes the following; 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 and harmonisation of terms and conditions.

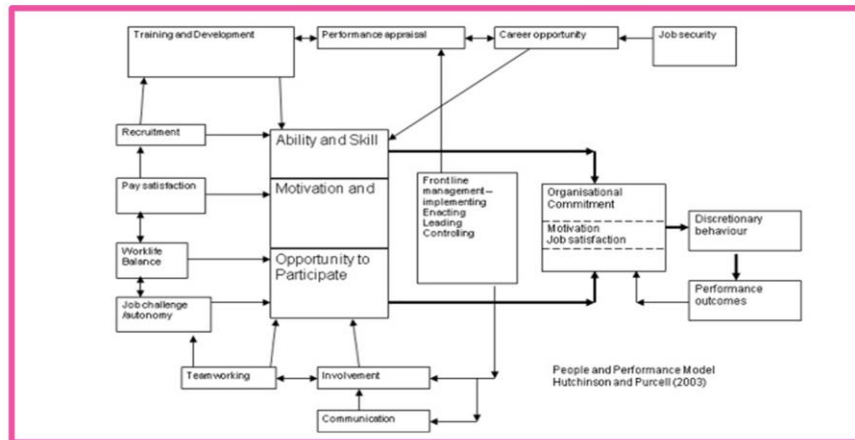
Performance

- ▶ AMO (Purcell et al, 2003)
- ▶ 11 HR policies and practices are required to turn this into action "performance infrastructure".
- ▶ The ways in which front line managers deliver the policies are key "differentiators".
- ▶ Herzberg's two factor theory of motivation (Mind tools, 2018)



Purcell et al (2003) came up with the idea that ability, motivation and opportunity (AMO) produce high performance. There are eleven HR policies and practices that are required to turn this into action. HR bundle are the performance infrastructure that allows high performance to happen. It is the line manager's role to make this happen. They need to implement the performance infrastructure correctly to enable high performance. This connects with the Herzberg's two factor theory of motivation (Mind Tools, 2018). He believed that certain things need to be in place for people not to be de-motivated. For instance employees need pay at the right level (this does not motivate employees, but if pay is not at the right level it will de-motivate them). These are called hygiene factors. To motivate people, examples such as recognition, achievement and responsibility need to be in place.

The people and performance model (Purcell (2003))



According to Purcell (2003) if people have ability and skill, motivation and incentive and opportunity to participate, this will result in them being committed, satisfied in their job and motivated which will lead them to release discretionary in behaviour (going the extra mile, because they are happy). This will lead to high performance. Front line managers are the differentiators in the process.

Able Committed and Engaged (ACE) MODEL

High performance organisations will have the following in place (Rees & Tymon, 2016):

- ❖ Helping employees to recognise their abilities
- ❖ Identifying what ability exists and improving on it.
- ❖ Identifying potential ability and developing it.
- ❖ Helping employees to recognise the motivational potential.
- ❖ Enabling job holders to see the importance of their job.
- ❖ Linking employees' job to company strategy.
- ❖ Helping employees to recognise the meaning of their work.



ACE (able, committed and engaged) with the right opportunities, resources and support will result in high performance. High performance organisations will have the following in place (Rees & Tymon, 2016):

helping employees to recognise their abilities, helping employees to recognise the motivational potential of their job, identifying what ability exists and improving it, identifying potential ability and developing it, enabling job holders to see the importance of their job, linking employees' jobs clearly to company strategy and helping employees to recognise the meaning of their work.

Link between HPW and organisational performance

- ▶ Purcell et al (2003) “Black Box Studies”

AMO model – Conditions that must be satisfied if the bundle is to underpin high levels of performance.



- ▶ Gallup Studies – Engagement (Harter et al, 2002), (Taylor, 2016).

Research has been made to test whether having HPW processes and practices in place leads to high performance in organisations. Purcell, (2003) helps to understand this link. These studies are called “the black box studies”. There were three findings that were found over a six year period:

When an organisation has in place a bundle of best practices, there is a positive response from employees. They are more motivated, have job satisfaction which leads to them working harder and to strive to improve their performance.

A characteristic shared by successful organisations is some form of “big idea” that underpins what their mission is and what their values are. These become embedded into the organisations policies and practices. Employees tend to buy into these and respond by working with enthusiasm.

HR policies and practices need to be brought to life by the line managers. Employees need to respect and be motivated by their line managers in order for HR policies to be realised in a positive way.

This study shows that when HR policies and practices are implemented effectively it will lead to high performance. The studies are also celebrated for their advocacy of the AMO model. The following must also be in place in an organisation to achieve HPW:

The **ABILITY** to perform well

The **MOTIVATION** to perform well

The **OPPORTUNITY** to perform well

Another researcher in this field was derived from the Gallup Organisation (Harter et al 2002). Their findings were derived from an analysis of data collected over a number of years using a 12 question questionnaire. In this employee engagement questionnaire respondents are asked to say whether they strongly agree, agree, disagree, strongly disagree or neither agree nor disagree to questions. Because of the size of the study (administered to 198,514 people in 7939 business units by 2002 over a 30 year period) it gives it credibility. It also “enables us to see the correlations between the extent of employees emotional and cognitive engagement and other variables such as profitability, productivity, customer satisfaction and employee turnover figures”.

Findings showed that:

There is a greater variation in terms of employee engagement between different business units within the same organisation than between organisations (This is due to the quality of the line manager)

Strong correlations between engagement scores and unit performance.

Strong relationships between engagement and staff turnover.

They found that HR policies and practices help to generate superior business performance because they help to motivate employees to perform well in their roles. Having a best practice bundle of high performance present will tend to lead to improved individual work performance. This will then improve organisation performance and lead to the organisation gaining a competitive advantage over other organisations who do not have this in place (Taylor, 2016).

Link between HPW and employee well-being

According to Vandenberg (1966):

- ▶ Power
- ▶ Information
- ▶ Reward
- ▶ Knowledge
- ▶ High involvement in decision making
- ▶ Training and development opportunities

= **Employee wellbeing enhanced** 😊



According to Vandenberg (1966), when an employee has power, information, reward, knowledge, high involvement in decision making, training and development opportunities, employee attitudes are more positive and well being is enhanced. This is due to employees feeling valued in the organisation which leads to happy, satisfied and committed employees which will lead to high performance (Boxall & Macky, 2014).

Criticisms of the research

- ▶ Fleetwood & Hesketh (2010)
- ▶ It is impossible to accurately predict the financial impact of HR interventions
- ▶ People deliver performance rather than the HRM architecture
- ▶ HR Plays an enabling role, it can not cause high performance.



Some researchers remain unconvinced by the link of high performance work practices and performance. Some argue that best practice HRM may have a positive impact but it cannot be measured or proved. Fleetwood and Hesketh (2010) warn against uncritical acceptance of the finding of studies that link HR practices to business outcomes. According to them it is the people who work in organisations who are responsible for the achievement of sustained superior business performance. Key points found is that: it is impossible to accurately predict the financial impact of HR interventions, people deliver performance rather than the HRM architecture and HR Plays an enabling role, it can not cause high performance.

GOOGLE (Taylor, 2016)

- ▶ Known for having high performance work practices in place.
- ▶ America's best company to work for (Fortune, 2019)
- ▶ Employee benefits
- ▶ \$60 billion turn over a year
- ▶ 1,300 job applications a day



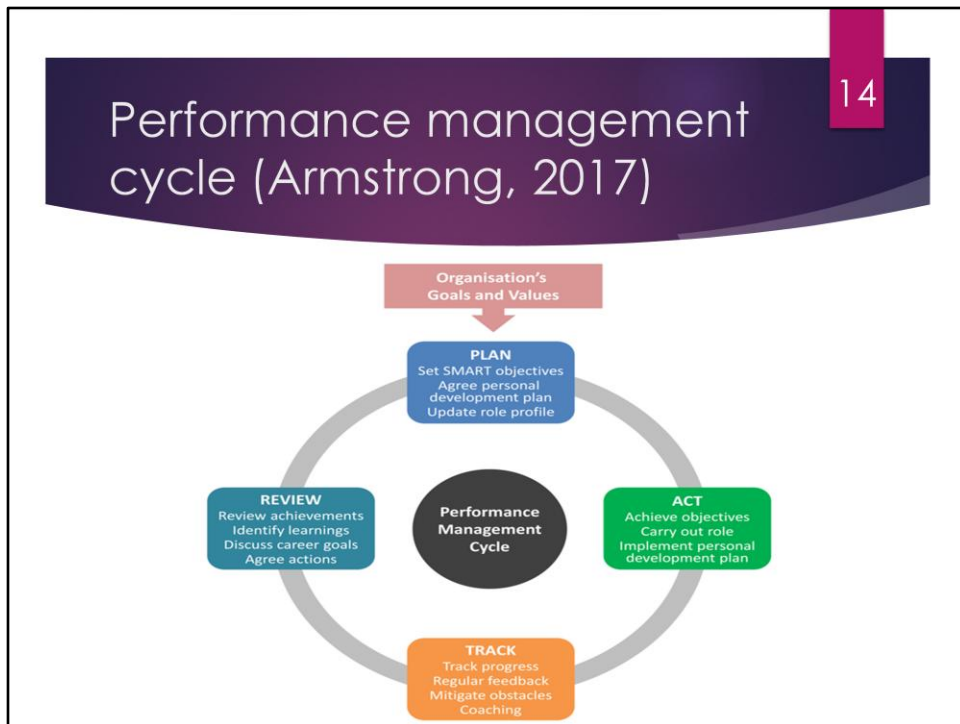
Google is an example of an organisation that has high performance work practices in place. Google was named America's best company to work for in 2019 (Fortune, 2019). Google doesn't pay its employees high salaries, but does offer them other benefits. These include, free restaurants to dine in, access to top quality medical and dental facilities, car maintenance, 120 hours training each year and generous sickness, maternity and paternity payment arrangements. "Thank God it's Friday" gatherings are also held at the end of the week where managers review the past week and preview the coming week. Google is one of the most successful enterprise with a turn over of more than \$60 billion a year. Because of this, Google receives 1,300 job applications every day because employees want to be associated with the company (Taylor, 2016).

What is Performance Management?

- ▶ “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 people” (Armstrong, 2017).



According to Armstrong (2017), performance management is a “continuous process of improving performance by setting individual and team goals which are aligned to the strategic goals of the organisation. It is about planning performance to achieve those goals, reviewing and assessing progress, and developing the knowledge, skills and abilities of individuals”. Performance management is about going in the same direction as the company.



According to CIPD (2018a), performance management is a self-renewing cycle, which in turn is concerned with the performance and development agreement.

According to Armstrong (2017), **planning** is about agreeing objectives, identifying the behaviours required by the organisation, developing personal development plans to enhance knowledge, performance skills and reinforce the desired behaviours of the organisation.

Act is about carrying out the work required to achieve objectives. It is about implementing personal development plans to achieve these objectives.

Track/Monitor is about checking on progress in achieving objectives and responding to new demands, treating performance management as a continuous process by having regular feedback all year round rather than at an annual appraisal meeting.

Reviewing is about holding a review meeting to review progress and identifying where action is required to develop performance further. At this stage the employee would discuss career goals and agree actions with their line manager. This then moves back into the planning stage.

Main stages and key aspects of the PM Cycle (Rees & Tymon, 2016)

- ▶ Communication of organisational vision and objectives
- ▶ Setting departmental and individual objectives
- ▶ Measuring performance
- ▶ Reviewing performance
- ▶ Formal appraisals: (Bloom et al, 2012)
- ▶ Identifying training and development needs
- ▶ Evaluation
- ▶ Linking of individual outcomes back to team and organisational outcomes

Goal Theory

Control Theory

Social Cognitive Theory

The main stages and key aspects of the PM cycle are (Rees & Tymon, 2016):

Communication of organisational vision and objectives - This starts at the recruitment and selection stage. It is important for organisations to choose employees that fit in with the values and competencies of the organisation. These employees are more likely to be successful in their role if they fit the organisation. Individuals also choose organisations if their values align with that of the organisation. People are more likely to be successful in the organisation based on this. Communication of organisational vision and objectives should also be made clear through induction. Induction is important in laying the foundations of PM for instance, setting expectations, and reinforcing values and behaviours that are expected.

Setting departmental and individual objectives – This needs to support the overall organisation objectives. This needs to be agreed between the employee and the line manager.

Measuring performance – employees and managers can measure performance by tracking the progress to see if individual and departmental objectives are being met. PM processes typically rely on the setting of definable and measureable goals and targets which can be measured. Measurement of performance should be an ongoing activity.

Reviewing Performance/Evaluation – This is about reviewing achievements and discussing career goals and actions with the line manager. This can be done through formal appraisals. Formal appraisals tend to be annual reviews where they are recorded and have action points. According to Bloom et al (2012) “organisations are 23% more productive when they have formal performance management in place such as targets (objectives), incentives (rewards/recognition) and monitoring”. The aim of formal performance management activities is to improve individual and collective performance, raise morale, reinforce control, identify development opportunities and communicate goals and expectations.

There are three underpinning theories for formal performance management processes. These are **goal theory** (where having targets works), **control theory** (where giving feedback works, so that employees know what to improve on) and **social cognitive theory** (where giving people self belief that they can do something will result in them believing in themselves and doing it) (Rees & Tymon, 2016). It is important to recognise that informal performance management discussion should be undertaken regularly by the manager with the employee to discuss their progress so that nothing is a surprise at the formal stage. At the review stage, it is also an opportunity to evaluate goal progression and completion, performance issues, training and development needs and opportunities for advancement.

Linking of individual outcomes back to team and organisational outcomes

How performance management can contribute to Employee capability and commitment

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- Employees need to be involved in the processes of defining expectations and creating and implementing plans for developing their skills and competencies.
- Agreeing objectives, measuring and assessing them, receiving feedback, reviewing them, identifying learning needs and addressing them are means of recognising and rewarding talent! (Armstrong, 2017)



According to Armstrong (2017), there are benefits of performance management. People are more likely to respond positively and are more likely to improve and develop their capabilities and increase commitment if they are involved in the processes of defining expectations. They are also likely to respond positively if they review performance and competency against those expectations and are involved in creating and implementing plans for developing their skills and competencies. Agreeing objectives, measuring and assessing them, receiving feedback, reviewing them, identifying learning needs and addressing learning needs can themselves be a means of recognising and rewarding talent in the organisation (Boon & Kalshoven, 2014).

Role of line managers in PM

(CIPD, 2018):

- ▶ Recognising performance
- ▶ Setting specific and challenging goals. Monitoring progress, providing feedback.
- ▶ Need to keep close eye on performance to see what teams are doing
- ▶ Frequent communications (team meetings, one to one meetings)
- ▶ Good relationship with employees
- ▶ Clear about expectations and goals
- ▶ Giving people credit for good performance
- ▶ Good atmosphere in the workplace
- ▶ Immediate action to any problems (Robinson, 2013)



Performance management is owned and delivered by line managers. It is important that HR support line managers in delivering performance management successfully. Line managers are critical in assessing and recognising performance. Practices include setting specific and challenging goals, monitoring progress and providing feedback and assessing performance on a regular basis (CIPD, 2018b). Where employees feel positive about their relationship with their front line managers, they're more likely to have higher levels of job satisfaction, commitment and loyalty, which in turn is associated with higher levels of performance or discretionary behaviour. Line managers need to keep a close eye on performance to see what teams are doing, and have frequent communication with it's employees. They need to be clear about their expectations and goals and give people credit for good performance for instance "employee of the month". They need to ensure that there is a good atmosphere in the workplace and take any immediate action to any problems that arise (Robinson, 2013).

Ways HR and Line managers can work together in PM processes

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- ▶ HR can help by:
 - Recruiting and Selecting employees using competency framework communication mission, vision, objectives and values
 - Providing documentation
 - Providing training and development
 - Providing personal development and career planning advice/training
 - Providing policies/training/ opportunities for recognition and reward
 - Giving advice on performance issues
 - Helping line managers identify and address training needs
 - Acting as coordinator of the process.



HR can support line managers in the process by supporting in the recruitment and selection stage. HR can recruit and select employees using competency framework communicating mission, vision, objectives and values. HR can introduce performance management at induction giving information about vision, mission and objectives. They can provide documentation such as self appraisal being an important component and providing training and development opportunities including CPD opportunities. HR can provide personal development career planning advice and provide policies/training/opportunities for recognition and reward. They can give advice on performance issues and help line managers identify and address training needs and act as a co-ordinator of the process (CIPD, 2018b).

Conclusion

- ▶ HPW “bundle of distinct human resource management policies and procedures which are associated with high levels of organisational performance”.
- ▶ AMO – produce high performance.
- ▶ 11 HR policies and practices are required to turn this into action.
- ▶ AMO = committed, satisfied and motivated. This will lead to discretionary behaviour = High performance.
- ▶ Purcell et al (2003) and Gallup studies = link between HPW and organisational performance
- ▶ Vandenberg (1966) = link between HPW and employee well-being
- ▶ Stages and key aspect of PM cycle
- ▶ PM is owned by line managers
- ▶ HR support

To conclude, HPW is a “bundle of distinct human resource management policies and procedures which are associated with high levels of organisational performance”. Purcell et al (2003) came up with the idea that ability, motivation and opportunity (AMO) produce high performance. There are eleven HR policies and practices that are required to turn this into action. If people have ability and skill, motivation and incentive and opportunity to participate, this will result in them being committed, satisfied in their job and motivated which will lead them to release discretionary in behaviour. This will lead to high performance. Purcell et al (2003) and the Gallup studies, (Harter et al 2002) demonstrate the link between HPW and organisational performance. Vandenberg (1966) demonstrates the link between HPW and employee well-being. The main stages and they key aspect of the PM cycle are made up of communication of organisational vision and objectives, setting departmental and individual objectives, measuring performance, reviewing performance, identifying training and development needs, evaluation and linking of individual outcomes back to team and organisational outcomes. Performance management is owned and delivered by line managers. It is important that HR support line managers in delivering performance management successfully.

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