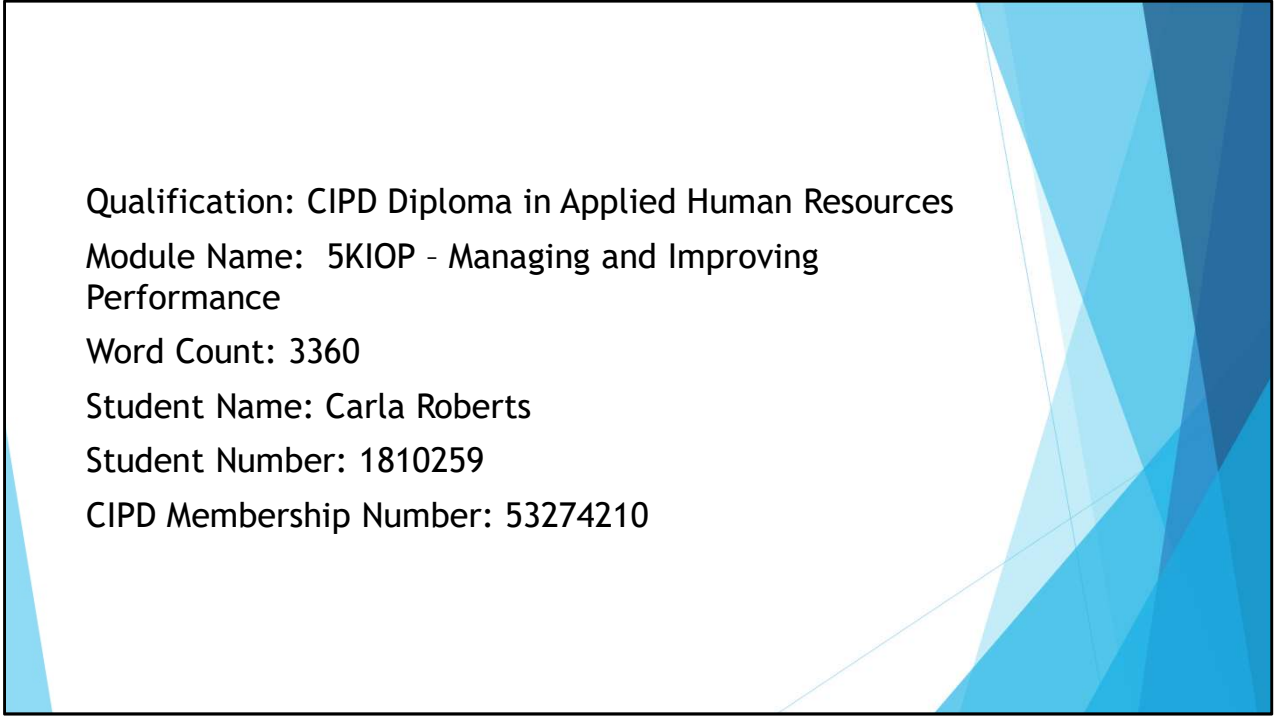




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The background of the slide features an abstract design with various shades of blue (light blue, medium blue, and dark blue) forming geometric shapes like triangles and polygons, primarily concentrated on the right side and bottom right corner, while the left side is mostly white.

Managing and Improving Performance

The contribution to high performance

Aims

By the end of this session you should be able to:

- ▶ Define and describe HPW
- ▶ Evaluate the link between HPW and organisational performance
- ▶ Evaluate the link between HPW and employee wellbeing
- ▶ Understand the main stages of the performance cycle
- ▶ Evaluate how performance management can contribute to:
 - i. Employee capability and commitment
 - ii. Recognising and rewarding talent
- ▶ Evaluate the role of line managers in PM processes
- ▶ Describe how HR and line managers can work together in PM processes



High Performance Working

‘a bundle of HR management policies and practices, that are introduced to an organisation at the same time and reinforce one another’

In today's competitive market, it's important for organisations to have high organisational performance; this can be achieved through employees having a high level of individual performance. It's therefore important for organisations to create an environment where employees are motivated and are able to deliver the desired output. A way of creating such an environment is through introducing High Performance Work Systems (HPWS). Taylor (2016) describes HPWS as a bundle of HR management policies and practices, that are introduced to an organisation at the same time and reinforce one another. CIPD (2018) concur with the method of policies reinforcing one another, and suggest that an overarching structure or framework is needed for the different elements to be complementary. They also suggest that there is no single best approach, as it should be tailored to the organisational culture. Garman et al (2011) define HPWS as a combination of practices which improve an organisation's ability to attract, hire, develop, and retain high-performing employees. They suggest using four subsystems to do this; engaging staff, acquiring and developing talent, empowering the frontline and aligning leaders.

What does a HPWS consist of?

- ▶ Rigorous and sophisticated recruitment and selection
- ▶ High levels of investment in training and development
- ▶ Performance-based pay
- ▶ Internal promotion systems which are merit-based
- ▶ Team-based approaches
- ▶ Grievance systems where employees feel protected
- ▶ High degree of employee participation
- ▶ Information sharing
- ▶ Effective performance appraisals
- ▶ Flexible working options
- ▶ Job security
- ▶ Work-life balance
- ▶ Harmonisation of terms and conditions

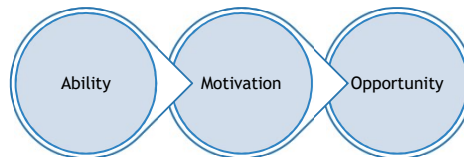
Taylor (2016) notes that there has been a lot of research done into which elements should make up a HPWS to ensure a high level of engagement and commitment. Some of the elements identified by Marchington and Wilkinson (2016) include sophisticated recruitment processes, high level of investment in training and development, internal promotion systems and flexible working. Sophisticated recruitment process means that a broad range of candidates are encouraged to apply and the selection process is fair and inclusive. This also links to having a fair internal promotion system, where the chosen candidate is chosen is based on merit. A high investment in training and development can provide employees with the training that they require to be able to do their job, as well as opportunities to develop in their careers. Flexible working offers employees the opportunity to tweak their employment terms to suit their needs; for example, multi-skilling, home working and flexi-time. In scenarios where HPWS are suitable, there can be a positive impact on organisational performance. Taylor (2016) notes that these processes are designed to attract, retain and engage employees. People want to work for organisations that offer these things and current staff will be more engaged which can lead to increased performance.

Creating a HPWS

- ▶ Recognise the need for change
- ▶ Transform your structures and working practices
- ▶ Be flexible
- ▶ Use talents to your advantage
- ▶ Focus on the right things
- ▶ Reconcile conflicting stakeholder needs
- ▶ Aim for sustainable success
- ▶ HPWS Implementation > Value Shift > Job Satisfaction

A high performing organisation is defined by Holbeche (2012) as an organisation that recognises the need for change, can transform their structures and working practices, can be flexible and use their talents to their advantage. Holbeche (2012) continues to suggest that high performance organisations adopt a more sustainable approach towards change, which is linked to the way people are managed, developed and led. This is based on organisational culture and reflected in management and employee behaviour and practice. Furthermore, Holbeche (2012) suggests that high performance organisations focus on the right things, reconcile conflicting stakeholder needs and aim for sustainable success. When creating a high-performance work structure, there should be system and value changes resulting in a complete value shift, along with job satisfaction and actual system changes.

The link between HPWS and organisational performance



Ability - skills and competency of the employee

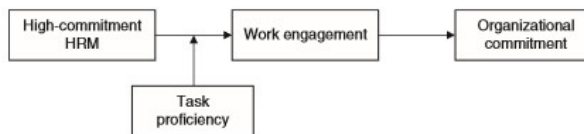
Motivation - employee's willingness to do an excellent job

Opportunity - availability of resources and opportunities required

Taylor (2016) suggests that research now looks at the nature of the link HPW and organisational performance, and why it has such a benefit for organisations. Purcell *et al* (2003) researched the HR/performance link through the 'black box' studies. From this they created the AMO model which identifies the three attributes employees must have to achieve the desired outcomes the organisation requires to achieve high performance; these are ability, motivation and opportunity. Ability refers to the skills and competency of the employee; motivation refers to their willingness to do an excellent job; opportunity refers to the employees having the resources and opportunities required to allow them to go above and beyond, and progress in their career. Therefore, by providing employees with these three things they will have high individual performance, which will lead to high organisational performance so that the organisation can gain competitive advantage. A key part of this research also identified that once the HR policies are in place, it's imperative for line managers to implement and champion these practices. Therefore, line managers are a crucial part of 'the black box'.

The link between HPWS and employee wellbeing/engagement

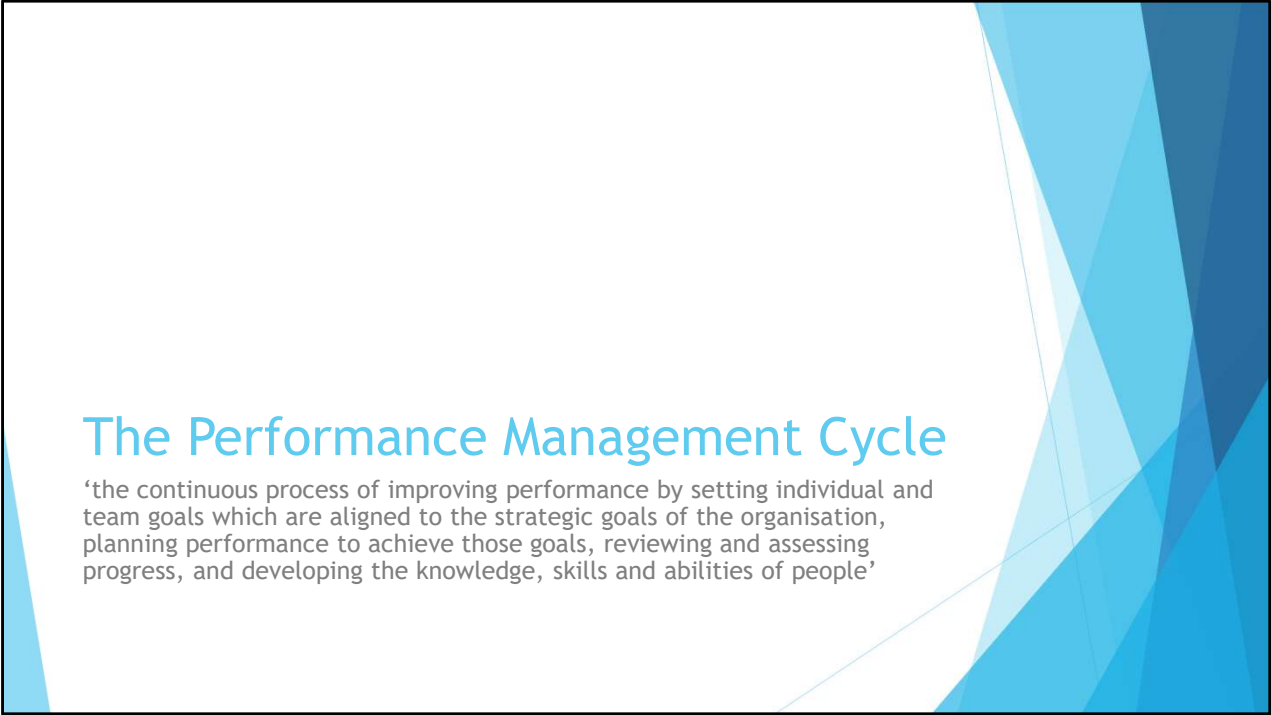
- ▶ Gallup (Harter et al 2002) - engagement differs within an organisation, so the impact of line managers is significant
- ▶ Boon and Kalshoven (2014) - the impact of the level of task proficiency on work engagement and commitment
- ▶ Boxall and Macky (2014) - implementation of certain elements of a HPWS impacts employee wellbeing/welfare



- ▶ Therefore, the implementation of high-performance work systems can have a positive impact on individual and organisational performance, as well as on employee wellbeing and engagement.

The implementation of HPWS can also have an impact on employee's wellbeing, which includes their happiness, health and their engagement. Gallup's research is identified by Harter et al (2002) and shows the results of a huge employee engagement survey across almost 8000 businesses. Gallup found that engagement differed between organisations which suggests that the quality of line management is significant in having engaged employees who perform well. Boon and Kalshoven (2014) studied how high-commitment HRM relates to engagement and commitment, and found that employees with high task proficiency are less likely to rely on HRM for enhancing their work engagement. This therefore suggests that those with low task proficiency are the ones who benefit most from HPWS as their employee wellbeing is more affected through these practices. Research by Boxall and Macky (2014) found that the factors that contribute to employee wellbeing include good communication, reward fairness, individual development, job-based empowerment and involvement in decision-making. Furthermore, they found that employee welfare is more likely to be safeguarded when their work pressure is kept low and they have a good work-life balance.

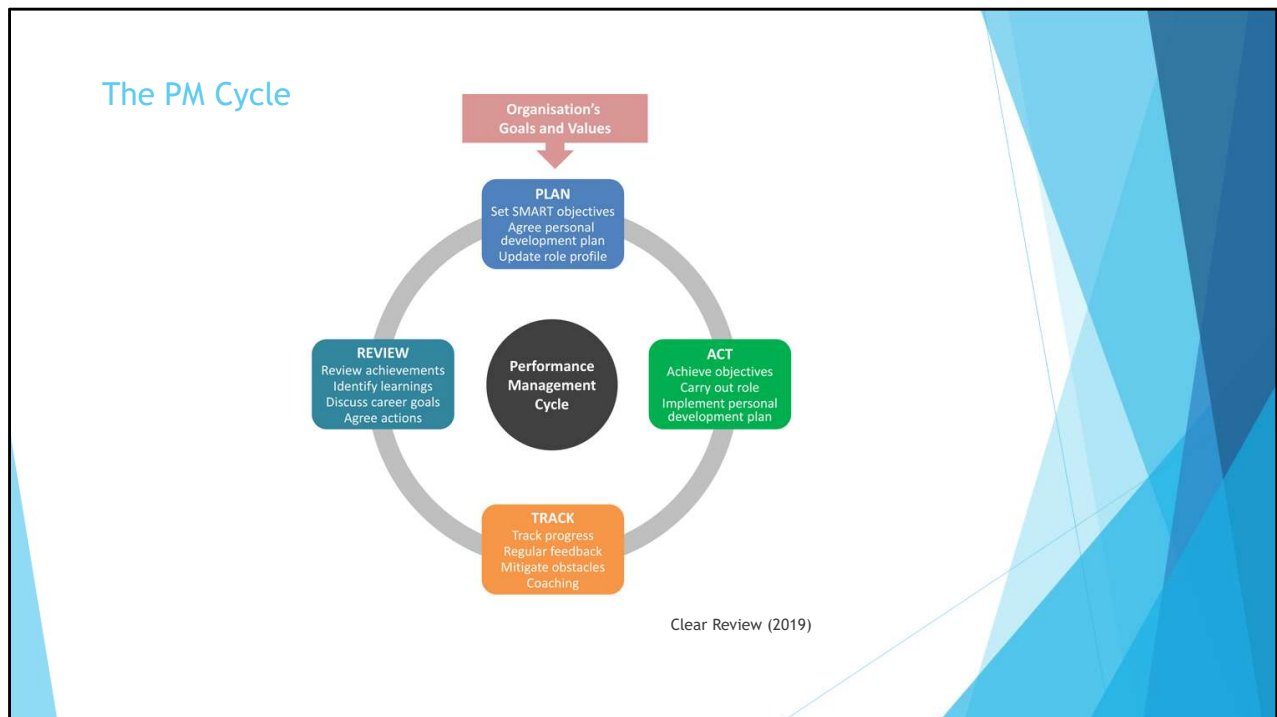
Therefore, the implementation of high-performance work systems can have a positive impact on individual and organisational performance, as well as on employee wellbeing and engagement.



The Performance Management Cycle

‘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 people’

Performance management is defined by Armstrong (2016) 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 people.’ Taylor (2016) expands on this to say that some processes can be informal and are done regularly, whereas others can be set by HR are more structured in a formal environment. The purpose of performance management is described by CIPD (2018) as being critical for organisational success; employees should understand what is expected of them and to achieve their goals must be motivated, and should have the right skills, resources and support. CIPD (2018) also suggests that performance management should be strategically aligned and be integrated.



Performance management can be split into several stages, as displayed in Armstrong's (2016) performance management cycle. This should be based on the organisation's goals and values which should be communicated to all employees so that they understand their position within the organisation, as CIPD (2018) suggest. The first stage is planning which involves defining the role's objectives, competencies, skills and potential development. The next stage is to act, which is implementing a personal improvement/development plan so that the employee has a clear goal and understands how to achieve these outcomes. This can be through individual and departmental objectives. The next stage is monitoring, through observations, feedback, providing training and coaching, and dealing with people who are not performing to the required standard. These methods prove effective in measuring and reviewing performance. The last stage in the cycle is to review the employee's performance based on what their agreement was in terms of expectations and responsibilities. This stage includes summarising their strengths and weaknesses, and having a two-way conversation about how they are performing. This then links back to the first stage as new goals are set and development plans are updated; therefore, it's a continuous cycle rather than an end-process.

How PM activities can contribute to employee capability and commitment.

- ▶ Raising morale
- ▶ Clarity of expectations
- ▶ Communication
- ▶ Reinforcing control
- ▶ Identifying L&D opportunities
- ▶ Understanding organisational goals

Performance management plays a vital role in achieving organisational success, through enabling employees to provide the desired output; it therefore enhances employee capability and commitment. Bloom et al (2012) found that organisations were 23% more productive when there were performance management processes in place such as targets, incentives and monitoring; this led to an increase of 14% in market capitalisation. Taylor (2016) also notes that performance appraisals in particular help to encourage employees to focus their attention on management objectives. Other benefits include raising morale through positive feedback, clarifying expectations and responsibilities, improving communication from both the employer and employee, reinforcing control, identifying learning and development opportunities, and improving the employees' understanding of the organisational goals.

Limitations of the annual appraisal

- ▶ Tendency to rate unfairly/incorrectly
- ▶ Managers talk more than the employee
- ▶ Poor preparation
- ▶ Unfamiliarity with the employee
- ▶ Manager reluctance to carry out appraisals
- ▶ Time constraints
- ▶ Paper exercise (some managers regularly catch up with their team so it makes an appraisal less valid)

Other researchers have found that other methods are more effective and the more formal appraisal is becoming less effective. Buckingham and Goodall (2015) note that conversations about annual ratings are less valuable than conversations about actual performance. They found that managers spend a vast amount of time completing appraisals with inconsistent ratings, which had a limited impact on the employee. Rowe (1986) included issues such as a tendency to give low ratings out of not wanting to anger/upset an employee, and a tendency to give an average score rather than 'poor' or 'excellent'. Schrage et al (2019) believes that traditional annual appraisals are now less effective, as they should be more data-driven and analytical and more technology-based. Cappelli and Tavis (2016) suggest that employers should give instant feedback, tie it to the individual's own goals and reward employees that were performing well. Rather than holding employees accountable for past behaviour through annual appraisals, more regular conversations changes the focus to building the workforce so that the business is sustainably competitive. Taylor (2016) adds to this and identifies several other drawbacks of performance appraisals, as shown in the slide. Therefore, as suggested by CIPD (2016) we should appraise the appraisal by making sure it's still relevant and fit-for-purpose.

How PM activities can contribute to recognising and rewarding talent.

- ▶ Give feedback
- ▶ Provide opportunities to develop skills and identify development needs
- ▶ Set targets, values and rewards
- ▶ Give praise
- ▶ Recognise achievements
- ▶ Use pay incentives
- ▶ Discuss career development opportunities

Armstrong (2016) found that when performance management is carried out properly, it can be a means of recognising and rewarding talent in itself. For example, through giving feedback, providing opportunities to achieve and develop skills and identifying development needs. This is consistent with the opinions of CIPD (2012) which stated that performance management is no longer just about an appraisal process, but implements other elements of people management such as setting targets, values and rewards. Bloom et al (2012) also notes that the use of incentives through praise, recognition, payments or career developments increased the productivity of employees. Organisations can use appraisals and feedback to reward employees through promotions, bonuses and performance-based pay. Rees and Tymon (2016) identify the benefits and drawbacks of using performance-related reward; on one hand it can be used to motivate employees to produce results, however, it can cause stress and conflicts within teams.

The role of line managers

Tips for line managers:

- ▶ Aim for clarity in all your relations with the team
- ▶ Give regular, frequent feedback
- ▶ Monitor performance
- ▶ Foster a team approach to performance
- ▶ Tackle performance and behavioural problems quickly
- ▶ Think hard and be careful when breaking bad news

What to avoid:

Do not...

- ▶ Assume people know what's expected of them
- ▶ Leave feedback until the annual review
- ▶ Hope that poor performance will improve without intervention
- ▶ Go into a sticky situation without preparing first
- ▶ Assume you know how people will react, without listening to them first

It's apparent that HR involvement is important in the performance management process; however, the role of line managers within this process can be underestimated. Robinson and Hayday (2009) found that managers need to be willing to tackle performance issues promptly, even if they find the situation difficult. The research found that employees who understood their manager's expectations had more focus and a sense of purpose. Employees appreciate timely feedback, whether it's positive or negative. Successful managers also tried to investigate why an employee could be under-performing, rather than taking a more formal approach; however, when a formal approach was needed the correct procedures would be followed with the involvement of HR. The research highlighted tips for managing performance, as well as suggesting what to avoid. CIPD (2012) discuss that good line managers are key to sustainable performance management, and this can be achieved through regular feedback rather than waiting for the annual appraisal. They suggest that line managers should manage their employees by following processes but recognising individual differences. Armstrong (2017) notes that the key to improving PM is to ensure that managers are managing performance rather than conforming to bureaucratic requirements, through regular communication, dealing with under-performance, praising good work and coaching their employees. Gilbert et al (2011) found that line managers enhance employee commitment by both implementing and

adhering to HR practices and using a relations-oriented leadership style. Taylor (2016) suggests that HR make the policies, give advice and provide training, but it's the line managers' responsibility to carry out the day-to-day practice of performance appraisals. Hutchinson (2013) notes that line managers today are expected to deal with recruitment, appraisals, learning and development, reward, under-performance, and conduct issues; although these are often now junior and middle managers rather than senior managers.

How HR and line managers can work together

HR can help line managers by:

- ▶ Providing advice on performance issues
- ▶ Provide training and support for managers
- ▶ Involving managers in the development of PM policies, giving clear guidance
- ▶ Recruiting effective line managers - look for communication, problem solving, leadership and listening skills
- ▶ Clarifying job expectations of the line manager and the link to HR
- ▶ Providing learning and development opportunities for their employees
- ▶ Understanding that some decisions are to the manager's discretion
- ▶ Motivating line managers
- ▶ Developing the use of online systems
- ▶ Coordinating the process

Therefore, most research suggests that line managers have a very intrinsic part in performance management processes, but need the support of HR to create the frameworks and ensure managers are adhering to them. Hutchinson (2013) notes that there are several ways that HR can support line managers, such as providing advice in regards to under-performance, employment law and training, by involving them when developing PM policies and by motivating them. However, this can also have an adverse effect as line managers can feel constrained by HR policies and feel less empowered to deal with staff issues themselves. Armstrong (2016) notes that the role of HR is to encourage and facilitate the PM process, working alongside managers to develop their skills and encourage them to follow procedure. Armstrong and Ward (2005) agrees with the approach of HR acting as a support, they note that HR's role is to design and review systems, convince boards of a new approach, implement new processes, run workshops for managers and staff, provide advice and support, and ensure compliance with the procedures.

Conclusion

- ▶ By following the performance management cycle, employees should feel supported which can lead to high commitment and engagement
- ▶ The implementation of high-performance work systems can have a positive impact on individual and organisational performance, as well as on employee wellbeing and engagement. This includes reward and recognition, effective recruitment and selection, training and development opportunities.
- ▶ Formal performance management systems also contribute to high individual/organisational performance, through feedback and appraisals. However, the annual appraisal is now deemed to be less effective than regular feedback
- ▶ Line managers have a vital part to play in the performance management process
- ▶ HR need create and enforce PM practices, but need to work closely with line managers by providing advice, support, training and involving them in the processes

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